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Toynebee's "A Study of History"

By FRANCIS NEILSON

I

The Search for New Ideas

ONE OF OUR BESETTING FAULTS is that we are always looking for something new. Since the turn of the century the modern mind has been so surfeited with what are called "new ideas" that it has scarcely digested one before it demands another. Whether it be in science, philosophy, history or the arts—indeed in anything but religion—the appetite for more, and still more, knowledge remains unsatisfied. The physical and material restlessness of the period has its counterpart in the realms of thought. Few ask whether the ideas that have engaged the attention of the thinkers are as fresh as their progenitors imagine. Such a notion as there being nothing new under the sun could not be harbored by the modern mind. Therefore, when receiving what is heralded as an innovation, it seems almost futile to demand the history of it, when the germ of it sprang from a human mind, and how it came to be developed.

There are few ideas that interest the mass of people which have not long genealogies. The original root of so many doctrines that have been promulgated in recent years has perhaps its ancestral home in civilizations which crumbled away before the Christian era began. The curious paradox today is that while in some departments of science (and generally in technology) the urge is to go forward and conquer new domains of nature's secrets, there is running parallel with this tendency a desire on the part of philosophical scientists to retrace their steps and review once again the past.

The booksellers' windows are full of volumes and the literary reviews contain lengthy criticisms of a work that is called "A Study of History,"¹

¹ Six volumes, London, Oxford University Press, Vols. I, II, III, second ed., third impression, 1945; Vols. IV, V, VI, third impression, 1946.

by Dr. Arnold J. Toynbee. The announcements inform us that one of its attractions is the presentation of a *new* approach to history. Some of the reviews convey the impression that the critics regard it as a unique work in the historical field, and one of them goes so far as to say that it puts "The Decline of the West" in total eclipse. Even so ripe a scholar as Sir Ernest Barker states:

There is nothing in literature comparable to his [Toynbee's] *Study of History* . . . which dwarfs everything of the kind which has ever been published before.

This is praise indeed, and small wonder that the lesser critics should imagine not only that the presentation is new in form but that the ideas have not been developed before.

II

Dr. Toynbee's Method

THE GENEALOGY of Dr. Toynbee's work is a very long one. The ancestral home of comparing the rise and fall of cultures, the laws, the customs, the manners, and most important of all, the religions of peoples, was first built in the days of Herodotus. We need not labor this point of the longevity of Dr. Toynbee's method, for it will suffice our purpose to present in brief a genealogy for it nearer our time.

Let us begin with Giambattista Vico who lived during the last quarter of the seventeenth and the first quarter of the eighteenth century. Then came Jakob Burckhardt. Both of these investigators of the birth and decay of civilizations initiated for the modern a somewhat new approach to an understanding of the history of peoples. In England there were Thomas Arnold and E. A. Freeman, who also followed this method of research in their historical studies. In America the brothers Henry and Brooks Adams performed similar work, and the latter in his "The Law of Civilization and Decay"² gave us in short compass a working hypothesis which the man in the street could read with interest. Then came Oswald Spengler's mighty work.

It seems to this writer that many of the critics who have lauded "A Study of History" have overlooked the fact that Dr. Toynbee pays his respects to Freeman and Spengler, and most of the work reveals his indebtedness to these historians. It is not the length of a study that establishes its greatness, nor is it altogether the amount of learning which goes into it that determines the utility of the effort. Dr. Toynbee's six volumes are at once a forbidding mountain of tremendous research for the contemplation of any reader. The area of civilizations over which our author has extended his

² New York, Alfred A. Knopf, new ed., 1943.

investigation will confound the imagination and awe the scholar who has been trained in modern channels of specialization which deal with a period, a dynasty, a personage, or an event.

It is surprising to learn from the advertisement in the first volume that "the sum and substance of a considerable part of the first three volumes of this book was presented orally." Two different courses of lectures were given at the Lowell Institute, Boston, and at Northwestern University, Evanston. It is not easy to imagine the type of audience to which these addresses were given because the learning is so profound, its range so universal that only a specially selected group in this country could be gathered that would be interested in the way the subject is treated. It is so far removed from the methods of specialization that only pupils raised under the spell of an Acton or a Freeman could take in the immense erudition of the lecturer and apply it to the requirements demanded by the examiners of historical studies.

Spengler's great work is comparatively simple in structure compared with Toynbee's. Moreover, "A Study of History" begs to be read and not heard. It does not seem possible that the ears can take in the volume of learning that gushes forth on page after page. And as for the long and copious footnotes which are an essential part of the chapters, it is difficult enough to take them in during a reading, for they are of such deep interest that they break the continuity of the text itself, and very often the reader has to hark back to find the thread of the main discourse.

A glance at the table of contents of the first three volumes is quite sufficient to make the most earnest student pause. Scarcely a race, a community, a nation, or a civilization has been overlooked. Who is prepared with whetted appetite for knowledge to encounter such a work? But these are not the only difficulties that are presented to the reader. When he gets into the body of the book, he will find quotations in Greek and in Latin without translation. There are, besides, long excerpts given in French and in German. Most of them, also, without translation. Therefore, to be at ease in studying the volumes, it is necessary to be a classical scholar in the old sense of the term and also to be familiar with the tongues of several different peoples as they are spoken today.

Surely "A Study of History" is caviar to the general. Where is the public for this mighty tome? It cannot be found in the colleges and universities of our country; and if we can credit the evidence that is put before us by such an educator as Sir Richard Livingstone, it is not to be found in the England of today. Therefore, one must conclude that it is one of those exotic works which will appeal to the few remaining catholic

minds of the school of Acton. They are the only ones I can think of in the English-speaking world who would be able to follow Dr. Toynbee through the heavily loaded pages he has written.

III

The Comparative Study of Twenty-one Societies

FIRST, HE SURVEYS the historical field and then proceeds to the comparative study of civilizations. The author identifies twenty-one societies of the species to which our western society belongs. He then tells us:

. . . The next step in a study of history is to put these twenty-one societies through their paces and compare their performances in their geneses and growths, their breakdowns and disintegrations, their universal states and universal churches and heroic ages, their contacts in Time and in Space. First, however, before we begin to carry out a plan of operations which will occupy us almost to the end of this book, it may be well to forestall possible criticisms by debating the prior question: Are these twenty-one societies really comparable at all? For their comparability may be challenged on several different and partly contradictory grounds.

The first and simplest argument against the comparability of our twenty-one societies may be stated thus: These societies have no common characteristic beyond that of all being "intelligible fields of historical study"; and this characteristic is so general and so vague that it cannot be turned to any practical account for our purpose.³

This is typical of much of the inquiry and it goes on to such an extent through the volumes that one is tempted to ask why it has been undertaken. Presumably it is necessary work for the historian who would venture to inquire into "The Nature of the Geneses of Civilizations." Indeed, Dr. Toynbee says:

In setting out to inquire how civilizations have emerged, we have the choice of starting either with the mutation of primitive societies into "unrelated" civilizations or with the emergence of "related" civilizations through secessions of proletariats from pre-existent civilizations.⁴

This is no easy task, for the quest of how a civilization begins cannot be discovered historically unless we have a fairly clear idea of what system was in vogue before the civilizing process began to take shape. Is it not considered necessary to ascertain how people lived before the State took possession of them? The findings of Sir Henry Maine, who is not mentioned in the first three volumes, give us a fairly clear idea that before the days of conquest and exploitation, communities lived in political and industrial peace and tilled the earth. Hence, the reason for establishing condi-

³ Vol. I, p. 147.

⁴ Vol. I, p. 189.

tions of economic justice upon which early societies existed before the conqueror imposed his system of political and wage slavery.

No less an historian than Lord Acton himself declared that the work of Sir Henry Maine was indispensable. He wrote to Mary Gladstone saying Maine had "the finest intellect in England,"⁵ and that "what pure reason and boundless knowledge can do, without sympathy or throb, Maine can do better than any man in England."⁶

When Maine's works became known, some scholars who had studied them considered that a basis had been provided for another quite different understanding of the beginnings of communities. In "Ancient Law" and also in "Village Communities" evidence of what had been in India—and in some cases, still prevailed—was given of an economic system that required no government in the modern sense of the term, and the conditions in practice were approximate to those of equality of opportunity.

IV

The Bases of Primitive Societies vs. Civilizations

DR. TOYNBEE REALIZES that there is a distinct difference between what he calls "primitive societies" and civilizations. But when he deals with the former he mentions

totemism and exogamy; tabus, initiations, and age-classes; segregations of the sexes, at certain stages of life, in separate communal establishments—and some of these institutions are certainly as elaborate and perhaps as subtle as those which are characteristic of civilizations.⁷

But these customs give us not the slightest idea of what the economic basis of life was in primitive societies. Indeed, he sees nothing progressive in them. Whether the people were satisfied or not with the system does not seem to concern our author. He says:

Primitive societies, as we know them by direct observation, may be likened to people lying torpid upon a ledge on a mountain-side, with a precipice below and a precipice above. . . .⁸

Then after a page or two of entertaining similies, in which he loves to indulge, he concludes with the following:

We have now followed out our simile far enough to have ascertained that the contrast between the static condition of primitive societies, as we know them, and the dynamic motion of societies in process of civilization

⁵ "Letters of Lord Acton to Mary Gladstone," ed. by Herbert Paul, New York, The Macmillan Company, 1904, p. 121.

⁶ *Ibid.*, pp. 126-7.

⁷ Vol. I, p. 189.

⁸ Vol. I, pp. 192-3.

is not a permanent and fundamental point of difference, but an accident of the time and place of observation. . . .⁹

It seems an arbitrary decision to wipe out of consideration the knowledge that we have of the economic conditions of primitive communities, even those in Africa. Surely they are worthy of our attention. The philosophers and poets of classical times gave heed even to legends of Elysiums such as Pindar describes. Of the Ethiopians he says:

They till not the ground, they plow not the wave,
They labor not, never! oh, never!
Not a tear do they shed, not a sigh do they heave,
They are happy, for ever and ever!

Perhaps such a far-fetched description of an economic paradise reminding us of the first state in the Garden of Eden is beneath the dignity of our historian. Yet, Dr. Toynbee, in volume after volume, presents us with the legends of nearly all the civilizations that have passed away and treats them as matters that deserve our serious reflection.

Garstang, the archaeologist, in his "The Story of Jericho," says:

. . . It seems as though warfare was so little known as to call for no special weapons or organization. Truly this was in those days the "Land of God"; and it was so named by the Egyptians from earliest times.¹⁰

To this writer the information about Jericho is of vast importance, and the fact that a scientist of Garstang's eminence can tell us of a place where warfare was little known and the locality was called the "Land of God" makes us wonder how the historian can proceed to deal with a civilization until he has carefully examined the evidence now extant of the economic basis of a primitive society.

Civilization is not a system that springs full fledged from the ground. The State—political institutions—is founded in areas where there are men cultivating the land, because the State cannot come into being and thrive without taking part of the produce of the laborers.

V

The Beginnings of Civilizations

NO CIVILIZATION has yet been discovered that did not have its beginnings in conquest. The farther back we go in history, the more abundant is the evidence that the ancient State was reared where agriculture was practiced by defenseless people. Dr. Toynbee quotes Dr. Ellsworth Huntington, sometimes at great length, and toward the end of the first volume there will be found in the additional notes the following statement:

⁹ Vol. I, p. 194.

¹⁰ With J. B. E. Garstang, London, Hodder & Stoughton, Ltd., 1940, p. 53.

In regard to the origins of agriculture, Dr. Huntington has arrived at the most interesting conclusion that this wonderful piece of human technique has been invented "in every case under essentially the same conditions"—the fundamental condition being the presence of "flood plains where agriculture was feasible for primitive people. . . ."¹¹

Such were the conditions in the valleys of the Tigris and the Euphrates. Sir Leonard Woolley, in "The Sumerians,"¹² indicates this clearly. And in the Indian and the Persian poems there are many passages which reveal the onslaught of the armed raiders upon a peaceful community.

Perhaps here it is necessary to give an example of the method of approach our author has adopted. He says:

We have failed to find the immediate object of our search, a permanent and fundamental point of difference between primitive societies and civilizations; but incidentally we have obtained some light on the ultimate objective of our present inquiry: the nature of the geneses of civilizations. Starting with the mutation of primitive societies into civilizations, we have found that this consists in a transition from a static condition to a dynamic activity; and we shall find that the same formula holds good for the alternative mode of emergence of civilizations through the secession of proletariats from the dominant minorities of pre-existent civilizations which have lost their creative power. Such dominant minorities are static by definition; for to say that the creative minority of a civilization in growth has degenerated or atrophied into the dominant minority of a civilization in disintegration is only another way of saying that the society in question has relapsed from a dynamic activity into a static condition. Against this static condition, the secession of a proletariat is a dynamic reaction; and in this light we can see that, in the secession of a proletariat from a dominant minority, a new civilization is generated through the transition of a society from a static condition to a dynamic activity, just as it is in the mutation which produces a civilization out of a primitive society. . . .¹³

It has taken much time and an expenditure of great learning to reach this point. Still, Dr. Toynbee has not found the fundamental difference between primitive societies and civilizations. Yet, he comes to the conclusion that the geneses of all civilizations—the unrelated and the related class alike—may be described as Mankind on the move. This idea he culls from Jan Smuts, which seems to be too simple an explanation of the genesis of the State—civilization. The Mankind that moved upon a primitive community had no agricultural inclinations. It was a group organized and armed to gain plunder and to reduce the defenseless tillers to a condition of slavery. It may be that Dr. Toynbee has chosen a starting point in his

¹¹ Vol. I, p. 482.

¹² Oxford, at the Clarendon Press, 3rd impression, 1929.

¹³ Vol. I, pp. 195-6.

investigation far too late for an understanding of the communities described by Sir Henry Maine.

In this long-drawn analysis there is almost endless variety of a psychological and philosophical kind, but it becomes far too complicated in "A Study of History" for the amateur to follow. For example, Dr. Toynbee leaps from Saint-Simon to Empedocles, and then he takes us to China. These leaps take place on two pages. When he reaches the land of Confucius, he introduces us to Yin and Yang, and he tells us that "Yin appears to have signified the sign of a mountain or a valley which is in the shadow, and Yang the side which is in the sunshine."¹⁴ Then he discusses the conceptions which Chinese philosophers had of these characters as two different kinds of matter. Yin symbolized water, and Yang fire. Spengler uses the same characters but in a briefer and more effective manner, as does Dr. W. Macneile Dixon in his Gifford lectures,¹⁵ published under the title, "The Human Situation."¹⁶

VI

Mankind on the Move

NOTWITHSTANDING the exceedingly interesting variegations of thought and exhibitions of great learning, Toynbee leaves us with the notion that Mankind on the move is the dominating factor in the process of the beginning of a civilization. He says, in opening a new chapter, "The Cause of the Geneses of Civilizations," with a sub-title, "A Possible Negative Factor: *Vis Inertiae*":

We have now ascertained the nature of the geneses of civilizations. They are particular beats of a general rhythmical pulsation which runs through all the Universe. Evidently this is as far as we can go in understanding how the geneses of civilizations occur. . . .¹⁷

The age of man and what he was doing until six thousand years ago are matters which cause our author to put to himself extraordinary conundrums. He asks, "If Man was content with his primitive condition so long [300,000 years], what has moved him, during these last six thousand years, to make a score of dynamic efforts to rise above himself and ascend to the level of Superman?"¹⁸

The answer to this is a negative factor: "the long pause on the primitive level, before the first attempts at civilization were made, is *vis inertiae*."¹⁹

¹⁴ Vol. I, p. 201.

¹⁵ Delivered in the University of Glasgow, 1935-1937.

¹⁶ New York, Longmans, Green and Co., no date.

¹⁷ Vol. I, p. 205.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

Sheer idleness! Wholesale malingering! Loafing on the job! And, yet, the creature had to feed himself, partly clothe himself, and find a habitation. No matter how prodigal Nature was, he had to devote some time of the day to finding provender, dressing a skin, and making a cave habitable; in principle, doing just what he has to do today. The only difference is that he took greater physical risks, for he spent long years before he knew what to do with the flint, long years before he invented the tool which would save his labor in tilling the earth. Dr. Herrlee Glessner Creel²⁰ tells us that the Peking Man half a million years ago was primarily an agriculturalist. The remains that were found about him indicate that his sheer inertia must have been broken frequently, for the bones of animals give evidence that he raised stock for his food.

VII

The Economic Factors in Man's Existence

IT WOULD BE an endless business to attempt to present an adequate description of the range of Dr. Toynbee's thought and the height and depth of his learning. Yet it is amazing that he can treat with what seems like disdain the economic factors which men at all times have had to consider. Though he places before us excerpts from ancient and modern scholars which give him the clue to some of the secrets that he would discover, he does practically nothing with them. He quotes from Origen as follows:

"God, wishing Man's intelligence to be exercised everywhere, in order that it might not remain idle and without a conception of the arts, created Man with needs, in order that sheer need might force him to invent arts for providing himself with food and providing himself with shelter. It was better for those who would not have used their intelligence in seeking after a philosophic knowledge of God that they should be badly enough off to use it in the invention of arts, rather than that they should be well enough off to leave their intelligence altogether uncultivated."²¹

Here is the very milk of the historical coconut which our historians have not tapped. Origen, in his controversy with Celsus, presents us with the economic secret which had lain hidden for so long. Man must labor to satisfy his desires and needs, and in this labor he becomes an artist, by providing himself first with sustenance, with the expenditure of the least exertion. Indeed, we might say that every achievement that man has wrought springs from the fact that he was the only animal to learn that he could reproduce his own food.

In the very next quotation to that mentioned above, Toynbee gives us a long paragraph from the French philosopher Volney, who says:

²⁰ In "The Birth of China," London, Jonathan Cape, 1936, p. 43.

²¹ Vol. I, pp. 290-1.

"L'on s'aperçoit que toute activité, soit de corps, soit d'esprit, prend sa source dans les besoins; que c'est en raison de leur étendue, de leurs développemens, qu'elle-même s'étend et se développe; l'on en suit la gradation depuis les élémens les plus simples jusqu'à l'état le plus composé. . . ."²²

From this we gather that Volney understood that needs (*besoins*) are the source of man's development. Indeed, he says that it is hunger and thirst, even in the savage, that start the first movements of the soul and body. But our author, even after another long quotation from Dr. Huntington, which confirms the findings of Origen and Volney, has merely this to say about it:

The first stage, then, in the human protagonist's ordeal is a transition from Yin to Yang through a dynamic act—performed by God's creature under temptation from the adversary—which enables God Himself to resume His creative activity. But this progress has to be paid for; and it is not God—a hard master, reaping where He has not sown, and gathering where He has not strawed—but God's servant, the human sower, who pays the price.²³

It is inconceivable how a man of unusual culture can set to work to find the geneses of civilizations and ignore the fact that the basic starting point is economic. Man cannot be understood unless he is regarded as a land animal who must use the source the Creator has provided for his sustenance. All history arises from man's primal activity; in truth, here is the genesis from which the historian must work. However much they may differ in their early development and afterwards, to the cultural rise of the best-ordered State, they all begin in the same way.

In "The Decline of the West" Spengler goes to the root of the matter, and it is of value here to give a few instances which differ profoundly from the conceptions of Toynbee and other historians. He says: "He who digs and ploughs is seeking not to plunder, but to *alter* Nature."²⁴

Here is another:

. . . Hostile Nature becomes the friend; earth becomes *Mother Earth*. Between sowing and begetting, harvest and death, the child and the grain, a profound affinity is set up. A new devoutness addresses itself in chthonian cults to the fruitful earth that grows up along with man. . . .²⁵

Think of these shafts of enlightenment: "The peasant's dwelling is the great symbol of settledness. . . . It is *property* in the most sacred sense of the word."²⁶

²² Vol. I, p. 291.

²³ Vol. I, p. 293.

²⁴ Two vols., trans. by Charles Francis Atkinson, New York, Alfred A. Knopf, 1926, Vol. II, p. 89.

²⁵ *Ibid.*, pp. 89–90.

²⁶ *Ibid.*, p. 90.

Further on he tells us:

The peasant is the eternal man, independent of every Culture that ensconces itself in the cities. . . . The present-day piety of the peasant is older than Christianity; his gods are more ancient than those of any higher religion. Remove from him the pressure of the great cities and he will revert to the state of nature without feeling that he is losing anything. His real ethic, his real metaphysic, which no scholar of the city has yet thought it worth while to discover, lie outside all religious and spiritual history, have in fact no history at all.²⁷

These are only a few examples which indicate the sureness of Spengler's method in laying a foundation for the springtime of a culture.

Toward the close of the first volume Toynbee sums up his findings, which have taken over three hundred closely printed pages, as follows:

At the genesis of every "related" civilization, a challenge from the human environment is given and taken *ex hypothesi*. This challenge is implicit in the relation itself, which begins with a differentiation and culminates in a secession. The differentiation takes place within the bosom of the antecedent civilization when that civilization begins to lose the creative power through which, in its period of growth, it has once upon a time inspired a voluntary allegiance in the hearts of people below its surface or beyond its borders. When this happens, the ailing civilization pays the penalty for its failure of vitality by becoming disintegrated into a dominant minority which attempts to find a substitute for its vanishing leadership in a régime of force, and a proletariat (internal and external) which responds to this challenge by becoming conscious that it has a soul of its own and by making up its mind to save its soul alive. The dominant minority's will to repress evokes in the proletariat a will to secede; and the conflict between these two wills continues while the declining civilization verges to its fall, until, when it is *in articulo mortis*, the proletariat at length breaks free from a ci-devant spiritual home which has been transformed first into a prison-house and finally into a city of destruction. In this conflict between a proletariat and a dominant minority, as it works itself out from beginning to end, we can discern one of those dramatic spiritual encounters which renew the work of creation by carrying the life of the Universe out of the stagnation of autumn through the pains of winter into the ferment of spring. The secession of the proletariat is the dynamic act, in response to the challenge, through which the change from Yin to Yang is brought about; and, in this dynamic separation between the proletariat and the dominant minority of the antecedent civilization, the "related" civilization is born.²⁸

It is such passages that go far to convince me that this work is not meant for the inquiring layman, nor do I think Dr. Toynbee himself imagines that the young student taking a course in history of any period will find

²⁷ *Ibid.*, p. 96.

²⁸ Vol. I, p. 336.

it profitable to pour over these pages. The deeper we delve into the investigation, the more certain we are that the audience for it is not a large one. The end really does not come with the last paragraph of the first book, for there follow about 150 pages of annexes, which are explanations and amplifications of what has gone before.

VIII

Volume II: The Challenge

THE SECOND VOLUME is in the main devoted to "the range of challenge and response," referred to in the long quotation given above. This is a crusade that is world wide. Dr. Toynbee in pursuit of his object ransacks the records of primitive folk and civilizations to such an extent that he confounds the desire of the reader to take in the story that is put before him. Why he should have made the task so difficult for himself is hard to understand. It seems as if the enormous meal he has eaten has not been digested. He takes this simile to explain the reason for some of his efforts, but he gains nothing by it. For example, he says:

These passages from myth and history surely demonstrate, between them, that when people are translated—whether in "real life" or in imagination—from conditions of pressure into conditions of ease, the effect upon their behaviour is demoralizing. It may perhaps be retorted that this is a truism, and that we might have spared ourselves the trouble of demonstrating the fact and not have overlooked the obvious explanation. . . .²⁹

It might be said that his reference is far too big for his frame, and this impression is confirmed when at the end of many pages of comparisons and contrasts, Dr. Toynbee raises the question of whether the examination has been worth while. Occasionally he becomes as simple as a country clergyman speaking to his village flock. After a long survey in myth and history, he says: "We have now perhaps established decisively the truth that ease is inimical to civilization."³⁰

In the chapter on "The Stimulus of Penalizations," he forecasts a hope for us in this country which will be received by many people with astonishment. He says:

. . . The Syrian slave-immigrants who once brought Christianity into Roman Italy performed the miracle of establishing a new religion which was alive in the place of an old religion which was already dead. It is possible that the Negro slave-immigrants who have found Christianity in America may perform the greater miracle of raising the dead to life. With their childlike spiritual intuition and their genius for giving spontaneous aesthetic expression to emotional religious experience, they may perhaps be

²⁹ Vol. II, p. 25.

³⁰ Vol. II, p. 31.

capable of rekindling the cold grey ashes of Christianity which have been transmitted to them by us, until in their hearts the divine fire glows again. It is thus, perhaps, if at all, that Christianity may conceivably become the living faith of a dying civilization for the second time. If this miracle were indeed to be performed by an American Negro Church, that would be the most dynamic response to the challenge of social penalization that had yet been made by Man.³¹

If Father Divine discovers this passage there may be huge revival meetings in Harlem.

The second volume ends with a chapter of over 140 pages. The subject is "The Golden Mean." If Dr. Toynbee had written nothing else but this, his place as a great scholar would have been established firmly. It is packed with essential information, and the students of the decline of Christianity would do well to give it their serious consideration. We shall quote only one paragraph which reveals the discernment of our historian:

With the moral insight of this ninth-century Irish gloss, which conveys in two sentences the theme of Tolstoy's fable of the Two Pilgrims, we may equate the intellectual vigour and originality of the ninth-century Irish Hellenist, philosopher, and theologian, Johannes Scotus Erigena: the giant of the Carolingian Renaissance, whose like was not seen again in Western Christendom until the Italian Renaissance of the fifteenth century. In his magnum opus *De Divisione Naturae* (*scriptum circa* A.D. 867), Erigena dared to present Philosophy as an independent discipline on an equal footing with Theology, and to declare that where philosophic reason and theological authority conflict, reason and not authority must prevail.³²

At the end of the second volume Toynbee declares, "Growth is what birth implies; and if our study of the geneses of civilizations has now at last reached its term, the study of the growths of civilizations still lies before us."³³

IX

Volume III: Society and the Individual

THOSE WHO HAVE SET their faces against the utility of the myth in historical investigations will no doubt be shocked in reading the third volume. On the other hand, those who appreciate the value of the myth will enjoy many of the pages. Yet, the modern historian, whether he likes myth or not, will be surprised to learn that

the myth of the Book of Job and of Goethe's *Faust* has given us an insight into the nature of the geneses of civilizations. We may find that equal light is thrown upon the nature of their growths by the myth of Aeschylus's Promethean Trilogy.³⁴

³¹ Vol. II, pp. 219-20.

³² Vol. II, p. 333.

³³ Vol. II, p. 394.

³⁴ Vol. III, p. 112.

Dr. Toynbee considers "the general structure of the two myths is the same." Although there is so much in the work that seems like needless repetition, it is compensated for by the amazing variety of knowledge which the author exhibits, particularly in this chapter, "The Nature of the Growths of Civilizations."

When Toynbee has to deal with the relation between society and the individual, which of course is an exercise that should have been considered very early in the work, he has this to say:

This is, of course, one of the stock questions of sociology, and there are two stock answers to it. One answer is that the individual human being is a reality which is capable of existing, and of being apprehended, by itself, while the society is nothing but a sum or aggregate of atomic and autonomous individuals who bring societies into existence by coming together and dissolve them by parting company again. The other stock answer is just the opposite. According to this second view, the reality is the society and not the individual: the society is a perfect and intelligible whole, while the individual is simply a part of this whole, who can neither exist nor be conceived as existing in any other capacity or in any other setting. . . .³⁵

There are people now publishing ponderous tomes who seem to imagine that the group preceded the individual. History, however, must begin with man and his needs: no man, no community; no community, no State; no State, no civilization. This seems to me the sequence which should be adopted by historians who inquire into the growths of civilizations. In Nietzsche's phrase, appreciated by Spengler: "View the whole fact of Man from a distance."

No one, yet, however, has decided upon this plan. Perhaps when we know more from the anthropologists and the archaeologists and when their findings have been collated, a history of man, embracing his rise and fall, from his spring to his winter in the civilizations that are dead or dying, may be produced. I take the seasonal terms of Spengler without apology, for Toynbee himself makes good use of them and devotes a large part of the third volume to "The Decline of the West." His references to it are of peculiar interest to the student, but Dr. Toynbee is guilty of a gross error in translation. It is in this excerpt:

"A civilization is born at the moment when, out of the primitive psychic conditions of a perpetually infantile [raw] Humanity, a mighty soul awakes and extricates itself: a form out of the formless, a bounded and transitory existence out of the boundless and persistent. This soul comes to flower on the soil of a country with precise boundaries, to which it remains attached like a plant. Conversely, a civilization dies if once this soul has realized the complete sum of its possibilities in the shape of peoples, lan-

³⁵ Vol. III, p. 217.

guages, creeds, arts, states, and sciences, and thereupon goes back into the primitive psyche from which it originally emerged."³⁶

In the authorized translation we read: "A culture is born in the moment" not "a civilization is born . . ." and in the whole of the paragraph there is no doubt that Spengler is dealing with "culture" and not "civilization." The footnote that Dr. Toynbee appends in explanation of this strange blunder reads as follows:

In Spengler's terminology, a *Kultur* means what, in this Study of History, is called a civilization, so long as the civilization is in process of growth. *Zivilisation*, which for Spengler is the antithesis of *Kultur*, means the condition into which a civilization (in our sense) falls when it breaks down and goes into disintegration.—A.J.T.³⁷

By inserting the word "civilization" instead of "culture," an utterly false notion is conveyed, and the explanation in the footnote does not in any way excuse the liberty that Dr. Toynbee takes.

On the last page but one of this third volume, the author is conscious of the labyrinth into which he has led the reader. He says:

This is perhaps as far as we can follow out the differentiation which accompanies the growth of civilizations without losing our way in a maze of fantasy. We have explored far enough to have established the fact that a differentiation of some kind does take place; and thus we have returned, at the close of this third part of our Study, to the point from which we started at the beginning of the first part. . . .³⁸

Were he to dwell on this point again, he would realize that this part of his study would end on a false note. The intrepid reader, however, must not lose heart at this declaration because he has yet to explore more, and still more, baffling mazes of investigation in the volumes to follow.

X

Volume IV: The Breakdowns of Civilizations

THE MAIN SUBJECT of the fourth volume is "The Breakdowns of Civilizations." Once started on such an historical crusade as "A Study of History," we presume it is necessary to make certain that nothing is overlooked. Some small detail might be a very important cog in the wheel of Fate. But to those who have read "The Decline of the West" and remember the lightning flashes with which Spengler lights up his pages, much of Dr. Toynbee's work will seem rather prosaic, if not dull. It is all solid, profound learning, but there is little literary decoration to lighten the labor of study. We can imagine the toiling student in his earnest endeavor to

³⁶ Vol. III, p. 221. Cf. Spengler, authorized trans. of C. F. Atkinson, Vol. I, p. 106.

³⁷ Vol. III, p. 221 n.

³⁸ Vol. III, pp. 389-90.

gather all the information about world history, setting upon the fourth volume with the grim determination to follow to the bitter end. But the first paragraph will not stimulate his desire:

The problem of the breakdowns of civilizations is more obvious than the problem of their growths. Indeed, it is almost as obvious as the problem of their geneses. The geneses of civilizations call for explanation in view of the mere fact that this species of societies has come into existence and that we are able to enumerate twenty-six representatives of the species (counting in the five arrested civilizations) that have come to birth up to date, as against four civilizations that have been abortive. We may now go on to observe that while only four civilizations, to our knowledge, have miscarried, as against twenty-six that have been born alive, no less than sixteen out of these twenty-six are by now dead and buried.³⁹

This is not encouraging, for somehow many laymen have had little difficulty in knowing the dead ones and how they came to be buried.

In another long quotation from Spengler, Toynbee persists in the error that we pointed out above. He uses the term "civilization" instead of "culture." But we think if he had read Spengler with more care, he would not have laid this trap for himself. This particular passage reads:

"Every civilization (*Kultur*) passes through the same succession of ages as an individual human being. Every one of them has its childhood, its youth, its manhood and its old age. . . ."⁴⁰

He knows thoroughly well that Spengler is not referring to *civilization*, for it is explained over and over again in "The Decline of the West" that its author does not consider the terms synonymous.

After more than one hundred pages of inquiry concerning the breakdowns of civilizations, we learn that "our inquiry into the cause of the breakdowns of civilizations has led us, so far, to a succession of negative conclusions."⁴¹ Yet, for a moment Toynbee believes "that the greatest danger to man is man," taking this cue from an old Hellenic philosopher. But immediately he offers us a theory presented by Volney who carries the investigation of the breakdowns of civilizations into the political field. Then, so that you will not arrive hastily at any conclusion, he quotes a passage from St. Cyprian, which is worth whole pages produced by the philosophical historian:

"You complain of the aggression of foreign enemies; yet, if the foreign enemy were to cease from troubling, would Roman really be able to live at peace with Roman (*esse pax inter ipsas togas possit*)? If the external danger of invasion by armed barbarians were to be stamped out, should we

³⁹ Vol. IV, p. 1.

⁴⁰ Vol. IV, p. 11.

⁴¹ Vol. IV, p. 119.

not be exposed to a fiercer and a heavier civil bombardment, on the home front, in the shape of calumnies and injuries inflicted by the powerful upon their weaker fellow citizens? . . . You denounce plague and pestilence, while really the effect of these scourges is to bring to light, or bring to a head, the crimes of human beings: the callousness that shows no pity for the sick, and the covetousness and rapine that are in full cry after the property of the dead."⁴²

This is from the same St. Cyprian who said: "No man shall come into our commune who sayeth that the land may be sold. God's footstool is not property." It is disconcerting how our historians overlook the significance of such a remark as this, particularly when they are considering the breakdowns of civilizations. How strange that most of the Early Fathers thought the question of "God's footstool" and who had a right to use it was a matter of supreme importance. Perhaps we may get an inkling of why Toynbee sidetracks this issue, for he says:

Private Property is an institution which is apt to establish itself in societies in which the single family or household is the normal unit of economic activity—whether the family business be agriculture or stock-breeding or shop-keeping or handicraft. In societies whose economic life is organized on this family basis, Private Property is probably the least unsatisfactory system of governing the distribution of material wealth. . . .⁴³

Here is one of the greatest stumbling blocks historians encounter in investigations such as the one we are considering. They never stop to ask themselves what is private property. Nor do they think it necessary to differentiate between that which is created—land and all natural resources—and the produce of the laborer. The Early Fathers—especially Gregory the Great—knew the difference, and they recognized clearly what *can* be owned and what *cannot* be owned.

It has been demonstrated by many economists that land is not property, but the source from which property—wealth—is produced by labor, assisted by capital. It would make all the difference in the world if historians would turn their attention to fundamental economics before they undertake such a trying task as that of finding other reasons for the fall of nations than that which Pliny discovered when he said: "Great estates ruined Italy."

Dr. Toynbee is full of knowledge—so full, indeed, that he does not realize there are simple laymen in this world who can take only just so much erudition. After long chapters on the breakdowns of civilizations and "The Nemesis of Creativity," he concludes that "the recurrent calamity that overtakes mankind is not the breakdown of civilizations but their

⁴² Vol. IV, pp. 121-2.

⁴³ Vol. IV, p. 191.

outbreak."⁴⁴ Here he is at one with Spengler, but he does not show that he knows it.

XI

Volume V: Dominant Minorities and Proletariats

THE FIFTH VOLUME is devoted to "The Disintegrations of Civilizations," and the chief character in this drama is the proletariat. Dominant Minorities sometimes play leading rôles in this investigation, which covers much of the ground already traveled. Dr. Toynbee's undertaking has not been simplified to any great extent, nor do the remaining chapters elucidate a progress that will bring us to the goal at last. There is, however, a masterly interpretation of the gospel stories. This is unusual in such a work. It is a pity that it is buried in a volume so many will not have the patience to read.

The chapter entitled "Schism in the Body Social," might be published by itself, for the time is ripe for the clergy of the various churches to pay heed to this exposition of the religious and social decline. The discourse runs to nearly 350 pages—quite long enough for a modern book if it is to make an appeal to priest or layman.

Near the end of the long chapter, "Schism in the Soul," we learn:

This empirical survey, brief though it be, will perhaps have sufficed to bring out the apparent truth that, when philosophies and religions meet, the religions must increase while the philosophies must decrease; and we cannot turn away from our study of the encounter between these respective spiritual discoveries of the Internal Proletariat and the Dominant Minority without pausing to look into the question why it is that this defeat of the philosophies is—as history testifies—a foregone conclusion.⁴⁵

Volume V closes with more than 140 pages of additional notes, many of which I should like to deal with if there were space.

XII

Volume VI: The Ideal of Early Christianity

IF THERE BE a new approach in these weighty volumes, it is in the religious analyses which are scattered through the work. Dr. Toynbee is decidedly at his best in dealing not only with workaday Christianity but its early ideal and man's relationship to God. In saying this there is no intention to belittle the importance of the many other aspects of research to which he has devoted his labor. The pity of it is that he has raised such a towering monument that one's attention is taken away from the subject or the events it is intended to commemorate.

⁴⁴ Vol. IV, pp. 585-6.

⁴⁵ Vol. V, p. 557.

Spengler covers the same ground in his stride, as it were, and because he succeeds in doing it briefly, the reader does not miss the point to be made. With Dr. Toynbee the point is only too often completely submerged by the erudition. Yet, he can be as simple and direct as Spengler himself. Take the following for example: In Volume VI, page 9, he presents us with one of the sayings of Alexander, as it is reported in Plutarch, "'God is the common father of all men, but he makes the best ones peculiarly his own.'" Toynbee has this to remark about it:

If this "logion" is authentic it tells us that Alexander's anthropology differed from that of Marx in the fundamental point of resting on an avowed theological foundation instead of professedly hanging in the air. It tells us that Alexander discovered the truth that the brotherhood of Man presupposes the fatherhood of God—a truth which involves the converse proposition that, if the divine father of the human family is ever left out of the reckoning, there is no possibility of forging any alternative bond of purely human texture which will avail by itself to hold Mankind together. The only society that is capable of embracing the whole of Mankind is a superhuman *Civitas Dei*; and the conception of a society that embraces all Mankind and yet nothing but Mankind is an academic chimaera.⁴⁶

So far as the earthly fortune of the human family is concerned, Goethe goes direct to the point when he says, "What is important in life is life and not a result of life."⁴⁷ That is it which underlies all the striving: Have you lived your life without considering fame itself, material gain, or indeed the reward of virtue as bestowed by your fellow man? Have you been an individual, no matter how lowly, walking in God's ways and carrying out His law?

It was Goethe, too, who wrote, "Mankind? It is an abstraction. There are, always have been, and always will be, men and only men."⁴⁸

And no one saw that better than the Bishop of Hippo. His "City of God" was not for saints only, but for men. Perhaps this is the symbol of the cross that men have to bear whether they like it or not. Toynbee says:

... The seeker after God who takes this intellectual path is like some climber who gains his first footing on the mountain-side at the point which is not only farthest from the summit but which is also separated from it by the deepest chasms and the sheerest precipices. It is manifestly less difficult—however difficult it still may be—for a human soul which is already in enjoyment of a direct communion with God to enlarge its comprehension of the Divine Nature by grafting a branch of intellectual knowledge on to the living stem of its intuitive religious experience. . . .⁴⁹

⁴⁶ Vol. VI, pp. 9–10.

⁴⁷ Spengler, *op. cit.*, Vol. I, p. 20.

⁴⁸ *Ibid.*, p. 21.

⁴⁹ Vol. VI, p. 42.

Certainly! And present conditions of the so-called Christian life indicate clearly to the observer that knowledge itself is a hindrance. Men, plain men, discovered God long before there were philosophers and theologians. In this respect, intuition was the surest guide, and here Spengler and Bergson join hands with Toynbee.

Further on in the book we come to the essential that has been somewhat slighted. Toynbee quotes from the "City of God":

"The peace of the Heavenly Commonwealth (*caelestis civitatis*) is a perfectly organized and perfectly harmonious common participation in the enjoyment of God and of one another in God (*societas fruendi Deo et invicem in Deo*). . . . The commonwealth of the irreligious, in which God does not bear rule or receive obedience—an obedience that consists in offering sacrifice to Him alone, so that the mind rules the body, and the reason the vices, with uprightness and loyalty—such a commonwealth will be without the reality of justice. . . ."⁵⁰

There is no heavenly commonwealth for men unless it be founded upon God's justice, and the violation of it is a fundamental reason why cultures become civilizations and civilizations disintegrate and crumble away. The Hebrew Prophets saw this clearly, and so did the Early Fathers. Now Dr. Toynbee has submitted to a searching analysis some of the alternatives, mere substitutes, for the way indicated by St. Augustine. He tells us that archaism and futurism "are sure negations of growth, and that is the whole of their tragedy." The other two alternatives, Detachment and Transfiguration, he says,

are both of them reactions to the breakdown of a civilization . . . endeavours to act upon a belief that there can be no salvation from that sickness of the Soul which the breakdown of a civilization brings to light through any less radical remedy than a change of spiritual clime or dimension.⁵¹

It is strange that Toynbee nowhere grasps as firmly as Spengler does the significance of the attitude of the mystic's way of communing with God. Perhaps the British mind of even a great scholar is not attuned to a harmony of this nature. And this is what we miss so much in "A Study of History." Surely there is a heroism in living such as Meister Eckhart and Jakob Böhme exemplified. Heroism is not a monopoly of the soldier and the man of political action; and as for sheer business capacity and organizing ability, who can transcend the work of many of the abbots of the great monasteries, who were mystics? I know no qualification they lacked for eligibility on the roll of heroes.

⁵⁰ Vol. VI, pp. 166-7.

⁵¹ Vol. VI, p. 169.

XIII

The Destiny of the Universal Church

DR. TOYNBEE'S WORK in the body of the book and also in the last pages on the life of Jesus is one of the most courageous exercises undertaken by a secular historian. Again, we must lament that this essential work is scattered through the volumes and that the great analysis of what has gone before comes in an annex of the sixth volume.

But what is it all for? What does history say to us? What is the lesson that we must take home to ourselves? Has it all been for naught, or are the cycles and the turmoils of millennia prophetic warnings of a fate that is overtaking us speedily? Is there a Palengenesiis for us, the Second Religiousness that Spengler has so beautifully expressed? Or is history no more than the tattered garment of life rent by lawless men? Dr. Toynbee puts this question in a different way, almost in a form that serious men all over the world are putting to themselves. He says:

But what of the living garment that the Earth Spirit weaves? Is it laid up in Heaven as fast as it is woven, or can we, here on Earth, catch glimpses at any rate of patches of its etherial web? What are we to think of those tissues that we see lying at the foot of the loom when the weaver, in the course of his tempestuous activity, has been at work unravelling? In the disintegration of a civilization we have found that, though the pageant may have been insubstantial, it does not fade without leaving a rack behind. When civilizations pass from breakdown through disintegration into dissolution, they regularly leave behind them a deposit of universal states and universal churches and barbarian war-bands. What are we to make of these objects? Are they mere waste-products of the disintegration-process—a tangle of spoiled threads from a piece of tapestry which the weaver, on an impulse of his inscrutable caprice, has willed to unpick before it has been half completed? Or will these debris prove, if we pick them up, to be fresh masterpieces of the weaver's art which he has woven, by an unnoticed sleight of hand, on some more etherial instrument than the roaring loom that has ostensibly been occupying all his attention and energies?⁵²

He then asks, in closing, "And what is the destiny of the universal church in which every higher religion seeks to embody itself?" He is not yet in a position to answer, and the last line of this work is: "Our Study is not at an end; but we have arrived at the verge of the last of our fields of inquiry." With reference to Toynbee's question about the weaving of the Earth Spirit, I would remind him of George Russell's poem, "Continuity."⁵³

⁵² Vol. VI, p. 325.

⁵³ "Collected Poems," by A. E., London, Macmillan and Co., Ltd., 1926, 2nd ed., p. 240.

The last two verses read:

In that wild orchid that your feet
In their next falling shall destroy,
Minute and passionate and sweet
The Mighty Master holds His joy.

Though the crushed jewels droop and fade
The Artist's labour will not cease,
And of the ruins shall be made
Some yet more lovely masterpiece.

A firm faith in the goodness of God and a realization that we are endowed with the highest faculties for what Joseph Butler would call "the preservation of our lives," is the text from which the universal church must preach if it is to save man from himself and direct him in the true way of life. Spengler saw all this, and fundamentally he preached a truer Christian doctrine than anyone does today, save the Pope himself. The secret of Spengler's achievement is to be found in his understanding of how a springtime blossoms from the soulful orchards in early cultures. He knew the essential difference between "intuition" and "intellect," and that is why we overlook his errors, which do not amount to much after all, and join with Eduard Meyer (certainly one of the great figures of modern scholarship) in paying tribute to the cathedralic "Decline of the West."

In the hope that Dr. Toynbee's future volumes⁵⁴ will yield to us a fruitful harvest after all his ploughing and sowing, I would call his attention to a verse from Goethe which Spengler "placed at the head of his book, to mark its fundamental intention":

In the Endless, self-repeating
flows for evermore The Same.
Myriad arches, springing, meeting,
hold at rest the mighty frame.
Streams from all things love of living,
grandest star and humblest clod.
All the straining, all the striving
is eternal peace in God.⁵⁵

New York

⁵⁴ The work is planned to be complete in nine volumes.

⁵⁵ Spengler, *op. cit.*, Vol. I, p. 140.

Labor's Struggle for a Higher Standard of Living

By HANS NEISSER

TO THE SUPERFICIAL OBSERVER, the economic condition of the United States in the first two years after the close of the military phase of the second world war appears to be a chaotic expression of bungling policy and lack of good will on the part of both business and labor, of both Democratic and Republican parties. He notes the occasional flaring up of strikes, full employment, the steady rise of consumer goods prices in spite of high-powered civilian production, and the hesitancy of stock exchange prices in spite of rises in commodity prices. However, to the historian, trained for both sociological and economic analysis, a definite line of development is visible, and the contours of a gigantic struggle emerge from the chaos.

What, in fact, we witness is the desperate attempt of labor to maintain that rise in the living standard which has characterized American life since the great depression. This struggle has, of course, been frequently observed; what has escaped most spectators is the basic change in the strategic position. Everything in the workers' experience—the success of the American Federation of Labor for the skilled worker, that of the Congress of Industrial Organization for the masses of the workers, labor's earnings and employment during wartime, the profits inflation in and after the war—everything seems to prove both the possibility and the justice of a continuing rise in the wage level, of the possibility of a living standard in 1946 as much above that of 1939 as the one of 1939 was above 1932. And yet it cannot be achieved!

I

LET US CAST a brief glance at the experience of labor. There is first the recovery period of 1933-39, six years of considerable unemployment, but, nevertheless, probably one in which there has been the greatest rise in the living standard of the *employed workers* that history has yet seen. Hourly wage rates in manufacturing industries increased, during these six years, 47 per cent, and since the hours worked per week remained practically the same and the cost of living rose only about 7 per cent, the workers' real earnings increased by no less than 38 per cent.¹ The contrast to the Twenties is striking, and cannot have failed, in the eyes of the older generation, to justify the enormous increase in union activities during the New Deal; because from 1923 to 1929, hourly wage rates increased by only 9 per cent, and weekly earnings, at practically stable costs of living, even less (5-7 per cent) because of the reduction in hours worked per week. Since in those same years, labor productivity (measured as net output per man hour) increased by one-third, while manufactured good prices fell only by 5 per cent and hourly wage rates rose only by 9 per cent, it is clear that profits per unit of output increased considerably.² In fact, this comparative deficit in the purchasing power of the masses would have brought about an end of prosperity much earlier, had not consumers' credit expanded rapidly at the same time and the spending of stock exchange gains supplemented the normal consumption tendencies.

The rapid increase in the weekly earnings of labor in the Thirties must be understood, therefore, as a recovery of lost ground. Even if the rise in manufactured goods prices is taken into account, this increase in real wages was substan-

¹ Statistics differ according to coverage. But the least increase any of them shows (*Statistical Abstract* 1942, Table 407, p. 387) is 25 per cent.

² The decline in semi-manufactured goods prices is greater but is due only to the erratic movement of steel prices, which had risen sharply from 1922 to 1923.

tially greater than the simultaneous net increase in efficiency (about 28 per cent from 1933-39), an increase which was possible because during the boom of 1923-29, the rise in real wage rates had fallen considerably short of the rise in efficiency. At the end of the period, "efficiency wages" in manufacturing industries were not far from the level of 1923 (that is, labor costs per unit of output in 1939 were only 5 per cent less than in 1923). The main gain of the gross profit margin in manufacturing above 1923 came from the fall in raw material prices, which exceeded that of manufactured goods. The profit margin needed *some* increase since the capital invested per worker had increased considerably, making possible the rise in efficiency.

From this brief statistical account it can be concluded that the success of labor organization during the New Deal does not represent a very reliable guide for future union wage policy, since the rise in wages was simply a correction of the abnormal conditions of the Twenties and since, moreover, the Thirties were anything but an era of full employment. But its imprint on the mind of labor is still visible and has been etched deeper by the war experience. It has not been realized that without an almost commensurate price rise the earnings of labor could be doubled only if the worker did not spend a high fraction of his wage-increase. This basic truth was and is obscured by the hazy idea that the unpleasant wartime restrictions of consumption would be automatically removed when armament production could be replaced by a gigantic increase in civilian production. It was overlooked that this fact *by itself* would only benefit labor *as a whole*, through creating an employment volume far in excess of the level of 1939, and that the increase in civilian output would be consumed by the *additionally* employed people; more output through more employment does not increase the portion of the *individual worker* (at least not automatically).

Neither has it been seen clearly that a war of such dimensions not only interrupted the trend of all peacetime activities, but also interrupted the upward trend in the efficiency of workers. Before 1940 an employer would, to some extent, select and pick out the more efficient workers; the wartime hiring of many millions of additional workers could not fail to reduce considerably the rate of increase in efficiency which had characterized the American economy for more than two generations. If we take into account the limitation of investment imposed by war, the worker's fatigue after years of overwork, the lack of competitive stimulus both during and immediately after the war, we cannot be surprised that *on the average* the new inventions made in the same period have not yet done more than prevent a decline in average efficiency.

II

BUT ARE WE JUSTIFIED in considering the progress in efficiency as an indispensable condition for an increase in the real wage rate? In doing so, we find ourselves here, on the one hand, in accord with the leading economists from both political wings. On the other hand, we have characterized the New Deal as a period in which the real wage rate and the standard of living increased by *more* than the efficiency of labor.

In other words, is it really impossible to improve the *distribution* of the national income in favor of the worker? In answering this question we could point to the fact mentioned above, that the development of 1933-39 was only the reconquest of territory lost by labor in the Twenties, and to the inference that, therefore, it was an advance which must necessarily come to an end. But can one simply assume that this end has been reached? An impartial examination of the facts from a purely economic viewpoint will show that, in theory, the end of the advance has not yet been reached. But,

at the same time, it can be shown that the very existence of full employment has put serious obstacles in the way of labor's effort to achieve a larger share in national income, and that, indeed, it has become dubious whether this goal can be reached without an intermediate period of depression.

The development since the virtual termination of price control in July, 1946, is very instructive. In June, 1946, the real wage rate in manufacturing industry was 50 per cent higher than in 1939, while manufactured goods prices had only risen about one-third. Granting even that these figures do not account for quality deterioration of the product (but, on the other hand, not of some decline in labor efficiency either), it cannot be doubted that the worker's share in the dollar output had considerably increased and that that of the employer had declined. In January, 1947, this gain for labor had been completely lost. Prices had jumped up sharply, being now 70 per cent above the 1939 level, while wage rates had increased only a few per cent, holding at 60 per cent above the level of 1939. Only the facts that more hours were worked per week (about 8 per cent more, allowing workers some overtime bonus), and that living costs had not increased as much as manufactured goods prices or as any other group of wholesale prices, permitted the worker a *weekly* wage possessing higher purchasing power than before the war. A good deal of this increase, however, is being taken away by increased income taxes, and the difference in wholesale price changes and changes in cost of living will largely vanish when rent control is discontinued. In any case, the development of July 1946-January 1947 is a *prima facie* case for the proposition that advancement in real wages per hour is today conditioned by the average increase in output per man hour.

This state of affairs differs from the situation in both the Twenties and the Thirties. The reader can grasp the reasons

for this development easier if he understands clearly the process of price-making in manufacturing. In these branches of business activity, the final price is not the result of the competition of a great number of sellers competing in a completely open market, but rather is "established" by the producer—established, of course, with a view to the state of the public's demand and the intentions of his fellow producers. The normal procedure in this process—except in times of price warfare—is to mark up the so-called prime costs of production (primarily the costs of labor and raw materials) by a percentage sufficient to cover overhead and to yield in addition a "fair" profit even in case the plant is only operating at 60–70 per cent of its capacity. In the Twenties, this profit margin temporarily increased because a rise in efficiency implies a decline in prime costs per unit of output (unless wage rates rise in proportion, which they did not do in this period) and because prices did not go down in proportion, for reasons indicated above. In the Thirties the margin was reduced again by the rapid increase in wage rates; and no corresponding price rise seemed possible to business since in the absence of sufficient private investment, *purchasing power was maintained only precariously* by government deficit spending.

The situation after the war differs in two important respects from the Thirties. We live in a state of "full employment" and our business leaders expect to live in it for a number of years to come. Therefore the same gross profit margin which yielded a fair profit at 60–70 per cent plant utilization (see above) will yield unusually high profits at 90–100 per cent utilization, at least once reconversion is completed. Here is the source of the high money-intake of the business world at a time when large sections of the population are hard-pressed by the rising cost of living. And it is for *this*

reason (and *not* because of the high profits *during the war*, which, being past, are quite irrelevant for the *current* price formation) that the postwar claims of labor were in harmony with the principles of *social justice*, in spite of the lack of increase in worker-efficiency during wartime. Certainly an increase in wage rates equivalent to the rise in living costs since the wage settlements of the winter of 1945-46 would still leave manufacturing profits on the average in a satisfactory position.

But established habits are not easy to change, and profit margins to which sellers have been accustomed for decades will certainly not be reduced for reasons of social justice. In the Thirties a producer who raised his prices commensurately with wage rates (after account was taken of changes in efficiency) could not be sure that his fellow producers would follow suit (instead of simply underselling); and, in general, producers in any industry did not know how buyers would respond to rising prices. In 1946, however, the opposite was true: considerable reserves in purchasing power in the hands of the public in addition to current income assured businessmen that they *could* sell their maximum output at "good" prices, (that is, prices including the traditional mark up), and the few nonconformist "black sheep," in retail trade, who would be satisfied with less profit, were easily kept in line. Moreover, business convictions were strengthened by the price developments in the field of agricultural production, where prices are not formed by the marking-up process explained above. For the fact is that prices of agricultural products as well as those of raw materials had increased even *more* than the price of manufactured goods, and on this evidence the industrial producer was not likely to reduce his customary mark-up, as long as the sellers' markets existed.

III

BUT IT ENDED! In the last quarter of 1946 the federal government's cash deficit was replaced by a cash surplus and the inflationary pressure of five years ceased. That these five years would be followed by a sharp contraction and unemployment has been doubted only by few. A pessimistic note was struck by the government (*e.g.*, in the President's economic message) as well as by business, the stock exchange, and by labor itself. It was a strange situation: the prevailing mood of business, so similar in its diffidence to the first years of the New Deal, might bring about what labor vainly aimed at in the first eighteen months after the war, *i.e.*, a reduction of the profit mark up, in other words, an increase in the hourly wage rate without a commensurate price increase. Though, of course, this wage increase would be much more modest than the slogan of the winter of 1945-46: "52 for 40" proclaimed. But the fruits of this victory could be enjoyed by labor only if the pessimistic forecasts proved not to be true; if, in other words, business did not feel induced by the shrinking profit margin to curtail the large volume of investment (in plant, equipment, and possibly inventories), which, according to the inquiries of the Securities and Exchange Commission, it was planning at the beginning of 1947. For otherwise labor, as a whole, would lose, in a shorter working week and larger unemployment, at least as much and probably more than it would gain from the falling prices and relatively inflexible hourly wage rates; and the *ultimate* outcome of a new depression for labor's standard of living could not possibly be estimated in advance.

At this place no attempt will be made to discuss in detail the outlook for employment during the remainder of 1947. The reader will be in a better position to judge the outcome than any analyst can predict it. In another paper (a note on

"Employment in 1947" published in *Social Research*, March, 1947) the present writer has indicated why in February, 1947, he did not share the prevailing pessimism. Despite the unexpectedly low level of residential building in spring 1947, and the threat of unemployment in the building trades, he still considered months later that an era of balanced prosperity was at least as likely an outcome for the rest of 1947 as a deflationary contraction assuming (apparently wrongly!) that the President and Congress, in the attempt further to increase the federal cash surplus and to reduce the federal debt, did not legislate the country into deflation.

But even if the inflation of the last five years should be followed for a while by a balanced prosperity, rather narrow limits exist for an immediate improvement in labor's standard of living. The moderate "pattern" for wage increases (15¢ per hour), set by labor in the Spring of 1947, may, indeed, be found to have been absorbed by the producer in manufacturing industries, but this would not give labor much more (in terms of hourly wage rates and manufactured goods prices than it had in 1939. And it is extremely doubtful whether a situation as favorable for labor will repeat itself in the near future: business, scared enough by depression talk, sought to absorb wage increases, but not to the extent that this would curtail investment.

In the long run, the real wage rate will increase only in rough proportion to labor's efficiency. This efficiency standard works a particular hardship, at the present time, because the efficiency of labor in *agriculture* is not likely to increase to such an extent that the high food prices will be adequately reduced. The public is too much inclined to think (and is confirmed in this wishful thinking by the optimism of the agricultural economists) that the high prices of food are only the result of temporary scarcities caused by the war, and

likely to last only during the so-called transition period. This may, in fact, be true for grain and grain products. On the other hand, a rising demand for *meat* and *dairy products* which originates in *larger employment at increasing wages*, has *always* brought about a *lasting* price rise. For example, in the New Deal period from 1933 to 1939, dairy products prices and particularly meat prices rose more than food prices in general, and food prices, in turn, rose more than the total cost of living. The higher standard of living as developed during the war implies a larger consumption of meat and dairy products, and a correspondingly higher production (which is necessary since this country prevents the imports of meats and discourages margarine consumption) is likely to require relatively high prices also in the *long run*.

In this respect, the situation of food production (and possibly that of the production of some industrial raw materials as well) differs from the situation in manufacturing production. The capacity of manufacturing production tends, under the pressure of expanding demand, to expand too, and in the long run in such a way that the increased demand can be satisfied at *unchanged* prices (unless, of course, wage rates rise by more than labor's efficiency or raw material prices go up). This expansion of manufacturing production is taking place—before midyear of 1947 we already seemed to be close to the end of the period of reconversion and transition. That is, we have overcome that dangerous interval of time during which the high level of purchasing power, combined with the temporary limitations of industrial capacity, threatened us with manufactured-goods prices far in excess of the wage rise. But similar hopes could not be entertained for such important branches of food production as meat and dairy products.

In the early part of 1947, most consumers were recom-

persed for the excessively high level of food prices by the low level of other items in their budget, especially rent. It is primarily for this reason that the cost of living index was below the level not only of food prices, but even also of manufactured-goods prices in general. Unfortunately this happy situation cannot last; eventually rents will have to rise toward a level in rough proportion to other prices. The implication is clear: the considerable rise in industrial efficiency which we have to expect in the near future will make possible a rise in industrial wage rates *without* a corresponding rise in the prices of industrial products, but this rise in wage rates will be *offset*, to a considerable extent, by a rise in the cost of living, attributable to the fact that food prices will show only a very limited tendency to decline, while rents will increase.

IV

THIS, THEN, is the situation of labor in a nutshell. During the war some improvement in the standard of living has been obtained; hourly wage rates have increased *more than the cost of living*, and the hours worked per week are above the level of 1939, securing to labor a certain amount of overtime pay even in peacetime. By a hard struggle labor may overcome the subjective drawbacks that reduce efficiency now and allow the pool of inventions accumulated during wartime to exercise their full effect on output per man hour. But no matter how hard labor may struggle to start again the progressive rise of its living standard, it is not very likely that it will obtain year by year an increase in real income equal to that of 1933-39, and even smaller is its chance to make up the deficit from the war years. The living standard will rise, more or less, in proportion to the increase in labor's efficiency in manufacturing, but the rise will be rather less than more.

It is hard to predict labor's response to this situation. Labor has more and more become aware of the simple truth that

what was practical as long as labor organization covered only a small part of the workers becomes self-defeating when applied to half of the population. Witness the change in wage tactics in the Spring of 1947, compared with those of the Fall of 1945 and the Winter of 1945-46. But unless unionization suffers a setback, a positive program of economic policy must supplement the resignation of which the wage policy of 1947 is a clear portent.

Labor must realize that a higher living standard can be obtained more rapidly if it renounces certain cherished beliefs and policies such as the progressive limitation of the working week, the fight against certain forms of technological progress like prefabricated houses, the so-called parity price legislation for food, the banning of imports of cheap food, etc. The fate of labor has become the fate of the country. Labor's leaders must decide whether the American economy is to founder on the rocks of the wage problem.

*Graduate Faculty, New School for Social Research,
New York*

The Function of the Executive

By ELGIN WILLIAMS

I

IN DAYS OF WORLD EVENTS economists are understandably occupied with broad aggregates, "bloodless categories" of total employment, national income, corporate retained earnings, cyclical fluctuations and the like. While such is necessarily the case it is now and again important and refreshing to turn, as Professor Hayek has recently done,¹ to the human material involved in these economic transactions. Especially is it interesting and relevant to examine such of these as approach large means and far-reaching discretion. What are the Executives doing? What are their motives and incentives? What benefits induce the community to keep them at their tasks? And how is it that every day the Executive's bag of tricks seems to grow larger and more astounding, his sweep and influence more powerful?

An essay attempting to answer these questions might well have been called "The Instinct of Workmanship and the State as a Work of Art." For any inquiry into the conditions and

¹ "The Use of Knowledge in Society," *Am. Econ. Rev.*, Vol. XXV, No. 4 (September, 1945), pp. 519-30.

Until the revival of interest that Professor Hayek's discussion may be expected to evoke, the "entrepreneurial function" had for some time been neglected by students. A generation ago, however, it was a favorite topic. The President's Address to the American Economic Association in both 1906 and 1907 was so dedicated, the former by F. W. Taussig, "The Love of Wealth and the Public Service," and the latter by J. W. Jenks, "The Modern Standard of Business Honor." Sample further treatments include Charles A. Tuttle, "The Function of the Entrepreneur," *Am. Econ. Rev.*, Vol. XVII, No. 1 (March 1927), and F. B. Hawley, "Orientation of Economics on Enterprise," *ibid.*, No. 3 (September, 1927). In addition to these indispensable formulations and the material in traditional economic literature the present article has been influenced at one or another point by the following: C. I. Barnard, "Functions of the Executive," Cambridge, Harvard University Press, 1938; T. N. Whitehead, "Leadership in a Free Society," Cambridge, Harvard University Press, 1936; T. Parsons, "The Professions and Social Structure," *Social Forces*, Vol. XVII, No. 4 (May, 1939), pp. 457-67. Especial debt, of course, is owed by students of the Executive (or "innovator") to Professor Joseph Schumpeter. But one instance in which the treatment here parallels his is the semblance noted between entrepreneurship and statecraft.

consequences of the Executive in our civilization could do no better than start with the twin emphases of Thorstein Veblen and Jakob Burckhardt. It is true the American was concerned with businessmen and the Swiss with Popes and Condottieri. But the motivations and motor-processes involved in Sixteenth-Century Italian predation, piety, and patricide are indistinguishable from the Big Three, Bretton Woods, and World Pacification of the Soviet-American Century. Then as now the Executive is the brilliant and awe-inspiring center of the social scene, and the waited-on power for good and evil. Then as now the Executive appears to combine in one personage the promoter and the statesman, the investor and the generalissimo, the diplomat and the entrepreneur. Each has a closet full of uniforms and who is to say which is more effective: That of a three-star "business general"? That of the Holy Father? Or the double-breasted tweed of a Boy from Missouri?

As portraits of this Executive—"businessman," "planner," Professor Hayek's "man on the spot"—Veblen's and Burckhardt's works are complementary. Each enriches the other. The first delineates the personal basis which, given the proper support, makes the Executive what he is. "The instinct of workmanship occupies the interest with practical expedients, devices and contrivances, ways and means, creative work and technological mastery of facts." Words are bare bones: Put on the living tissue of "separation" in Iran, the employment of "enemy" troops to establish "law and order" in China, the manufacture of racial animosity to divert attention from oil and land issues in the Arab states, and "practical expedients" takes on meaning. As we survey the soviet of international bankers with its fund for "reconstruction" and "development" or hearken to the U. S. Maritime Commission's

"equalization of shipbuilding costs" to "build up America's defenses," we begin to reckon the scope and ingenuity of present-day Executive devices and contrivances.

Again "ways and means" calls for the denotative method: Mention of the "Labor" Government Minister's use of troops to break "his own" union's strike is instructive, as is a glance at the token demolition of Javanese villages in the interests of "order" and international trade, or at the financial check-mating and legislative blackmail of Ways and Means Committees. And Veblen's reference to "creative work and technological mastery of facts" will surely call to mind all those Executive actions named and countless others. For the knowledge of publicities and pressures, of up-to-the-minute social science and age-old prejudices, of mass love for pomp and ceremony and mass disinterest in all that concerns mass welfare, such "knowledge of the particular circumstances of time and place"² is paying dividends in Chungking and Cairo, in the country districts and in the city, at Whitehall no less than Washington. The same sort of creative mastery of facts was involved in the recent exemplary harnessing of the world's atomic physicists (including the hijacking of those under other national flags) for war purposes as in General Motors' acute insight into the tax laws for business purposes. And those recurring departures from the performance norm—recent examples are the ill-timing shown by the union Executives in the General Motors strike and the bad odor and apparent ineffectiveness of the token Javanese demolition ("Lidice II") already referred to—such botched jobs but more clearly define true Executive capacity.

² Professor Hayek's term; *ibid.*, p. 521. Cf. Max Lerner, Introduction to "The Prince and the Discourses" (Modern Library edition, 1940), pp. xliii-xliv: "... The masses who are coerced in a dictatorship have to be wooed and duped in a democracy. . . . The successful statesman is an artist, concerned with nuances of public mood, approximations of operative motives, guess-work as to the tactics of his opponents, back-breaking work in unifying his own side by compromise and concession."

II

SO FAR THE DENOTATIVE METHOD has been followed because of the belief that the Executive is primarily an esthetic phenomenon viewed by the community at large primarily through the esthetic sensibilities. Veblen treats this fact from the point of view of the agent, Burckhardt from the side of the resulting product.

So much is obvious from a perusal of "The State as a Work of Art." What is going on in the Italy described is not conceived by the populace in terms of self-interest; it is a spectacle. They are fixed by their warring usufructuaries, rapt before them. The intrigues, bargainings, and waste-layings are appreciated for their own sake, and for none other. As with other works of art they need no ulterior purpose.

All this is to be expected. Esthetic appreciation is of the nature of an autonomic reaction, and autonomic reactions do not reason. If one's house explodes before one's eyes the flame is what catches the eye, not the inventory of perished goods; and existence in a community run by Executives is a series of explosions without let or hindrance. As the folk saying has it: LIFE IS JUST ONE DAMNED THING AFTER ANOTHER.

If this was true in Sixteenth-Century Italy it is a hundred times true today. The feats of the Executives are beyond the wildest dreams of their earlier prototypes; so also is the awe and wonder of the populace. What is one to say of the spectacle of the economic machine turned loose with no provision for its post-war continuation? What is one to say when Executives refuse to open corporation books at the cost of such continuation? What is one to say at a proposed reduction of crop quotas "to maintain prices," while Europe starves? What is one to say confronted with the drama of compulsory military training, perpetual preparedness, and the knowledge that "the interests of the United States extend to

the whole world"? What is one to say at the "colossal nerve" of former Great Powers everywhere on the globe suppressing the millions just released from saving the Great Powers from suppression? The answer to all these questions is: Nothing, it is no time for saying, it is a time to be rapt.

III

THE FACT of this esthetic incidence of the Executive may perhaps become clearer if alternative theories are considered. Among these is the attempt to make the distinction between the Executive and the non-Executive a distinction between "power" and "skill." According to this view the Executive is a creature not of proficiency but of status; he is not doing but suffering. But this is exceedingly tenuous. If it is hard to crack the atom or dance the death scene from "Giselle," it is also hard to take a million off a falling market. A great deal of dexterity has gone into the making of "Guernica" or Keynesian economics or a B-29; so into the rearing of the Ford Empire as well, and all are equally "creations." "In industry and the chase, in a sea-faring expedition and a war raid, things can be done well and less well. . . ."³ In this the maneuverings of corporate, military, and diplomatic captains are at one with those of artists and scientists, and a well-executed sales or political campaign, reorganization or cartelization, strike or shut-down or any other Executive *coup* is in all respects comparable to a brilliant cadenza or a twenty-foot putt. If the work of a composer faces the test of time and the experiments of a scientist repeated performance by his fellows, it is equally true that a business Executive caught napping goes to the wall.⁴ "The continuous [*sic*] flow of

³ A. Goldenweiser, "Early Civilization," New York, Knopf, 1922, pp. 407-408, quoted by John Dewey, "Experience and Nature," Chicago, Open Court, 1925, p. 212.

⁴ Cf. F. C. Mills, "Statistics and Leviathan," Presidential address to American Statistical Association, *Jour. Am. Stat. Assn.*, Vol. XXX, No. 189 (March, 1935), p. 7: "There may well be wide latitude for incapacity in competitive industry, but, late or soon, red entries must mark the presence of sustained inefficiency." However Mills goes on to ask

goods and services is maintained by constant deliberate adjustments, by new dispositions made every day in the light of circumstances not known the day before, by *B* stepping in at once when *A* fails to deliver."⁵

In detail as well as at large there is resemblance on the level of skill between the Executive and the technician. It is well-known, for instance, that a painter's skill is indifferent to subject matter. Just so the Executive's skill in administration is indifferent to subjects. Although a distinction is sometimes made between "mother countries" and "dominions," between "home" and "overseas" investment, between "capitalism" and "imperialism," etc., each pair of terms denotes an artistic production which is nevertheless a unit. This is so because the relation of a competent Executive toward (say) the average Briton is much the same as toward the average "colonial," or to a home as to a native workman—which is to say, it is a relation of usufruct. The cartographers show a finer sense of the matter, representing the "possessions" of any group of Executives as a single color all over the world—as, e.g., red for Britain, blue for Russia, yellow for the U. S., etc. There is a difference in the operations of an oil man in Texas and in Arabia, but it is one of locale only. Again, this point has lately received detailed and recurring confirmation at the hands of so-called "Quislings," those Executives who have persistently and unavoidably remained in control of subject peoples whether the usufruct of the populace in question was in the hands of "Greece," "Germany," "Britain" or whatever.⁶

the (rhetorical) question: "What comparable criterion have we for the public services?" It should be obvious that the continual test of survival faced by the bureaucrat or politician at appointment or election time is precisely comparable to that of his brother Executive in business.

⁵ Hayek, *op. cit.*, p. 524.

⁶ It is reported that the late Pierre Laval, on trial for treason, remarked to the jurors that he was glad to be judged by members of Parliament who were in Vichy and who understood politics.

In just the same way, when international contracts among some Executives are suspended because of conflicts among others they are suspended "for the duration" and not for reasons of principle. That class usually identified as "business" Executives carries on in war as in peace, and in occupation as in war. "After all," a Swiss said, "a franc is a franc and what happens to other countries is none of our concern." Or, as Professor Hayek says:

It does not matter for [the man on the spot] *why* at a particular moment more screws of one size than another are wanted, *why* paper bags are more readily available than canvas bags, or *why* skilled labor, or particular machine tools, have for the moment become more difficult to acquire. All that is significant to him is *how much more or less* difficult to procure they have become compared with other things with which he is also concerned, or how much more or less urgently wanted are the alternative things he produces or uses. It is always a question of the relative importance of the particular things with which he is concerned, and the causes which alter their relative importance are of no interest to him beyond the effect on those concrete things of his own environment.⁷

Astonishment at the news that Executives of Allied occupation forces were retaining "Nazis" in executive posts in Europe is as naïve as surprise that the "economic reconstruction" of Germany is in the hands of Executives of those U. S. concerns which did a great deal of business with German cartels before the war. In every case Executive responsibility devolves on Executives: they are interested in the job, not in the "why" of the job, and they know how to get the job done.

IV

SUCH FACTS have been underemphasized by students. The criticism is frequent of the Executive that he acts first and thinks afterward, and that his actions are drawn from a relatively narrow range of alternatives; so much so that some critics have suggested a deduction of 50 per cent or there-

⁷ *Op. cit.*, p. 525. (Italics in original.)

abouts from the total of human material wasted in Executive pursuits, because of the average mental deficiency of the personnel. Thus to one writer

It seems quite probable that men of the executive type are those of the least subtle and variegated perceptual field; of the lowest degree of consciousness, having the steepest threshold to be crossed in order to induce a state of awareness.⁸

This point is also made in terms of the latitude allowed by Executives in the formulation of "ends" and "means," respectively. The Executive's problem, so the theory runs, concerns the selection of means only, with the objective—commonly that of an increased return—remaining substantially unchanged. The search for better ways and means, devices and instruments is unceasing; so much cannot be said as regards broad principles or profit to which the means are adapted.

Now there is, in a roundabout fashion, a great deal of truth to this charge. That is to say, it is true that the *economists'* reasoning does begin and end within the limits and goals of the enterprise system. So much so that they cannot fancy a businessman throwing over the ideals of free enterprise and consequently fashion him in their own image even when all evidence militates to the contrary. In the apprehension of the economists, facts attain the possibility of truth only under the selective surveillance of the canons of freedom of contact and guaranteed ownership, and men can adapt means only to these ends. But the recited facts of Quislings and occupied businessmen belie this charge, and the list of simliar facts is large. It is well known to students of labor that labor leaders in U. S. history have "gone into" industry and government as and when the opportunity presented itself. There is so much traffic between business and government that while originally civil service gradings and salaries were modeled on

⁸ Dewey, "Experience and Nature," p. 313.

prevailing practices in private industry, the reverse is now the case. And the recent war has demonstrated that military promotion and political and economic success are closely and significantly related.

Not that a sharp distinction has been drawn between the various types of Executives or between the group as a whole and non-executives. The attempt to base the latter distinction on an assumed lesser attention given to ends and means has succeeded better than most, especially as a projection of the beliefs and values of the economists and other social scientists making it. But when all is said it remains true that Executives have shown no less flexibility of purpose than other men. They have played both ends against the middle and they have changed sides with the wind.

And this is not all. Although it has probably always been the case—after all, Washington was first in war, first in peace, and first in the canal projects—we are every day learning that a mature Executive can seek the most diverse goals at one and the same time. As the folklore has it, not yet incorporated into an economic theory which persistently views the entrepreneur as occupied with a single firm, THE EXECUTIVE HAS 'MANY IRONS IN THE FIRE.' While the readers of *Time* and *Life* still glow at an Executive's patriotic devotion to aircraft production in California they scratch their heads at a notice of his corner in rye at Chicago. They are not sure whether a General Knudsen is business or military man, or politician. When the Allied Control Commission orders the demolition of (certain) German industry, is this to be interpreted as a business or military measure? The question is as hard to answer as it is to figure what sort of strategy it is to employ "saturation bombing" which leaves American-owned war plants still standing. Again, is the typical Southern representative in the Congress a politician

or a landholder? If a Mr. Edwin W. Pauley were to become Navy Secretary (thereby controlling much of the nation's oil reserves) would he still be the California oilman that he is now?

The truth is that Executives are extremely labile when it comes to ends and goals. When, therefore, a Talcott Parsons says that the dominant goal is the same in business and the professions he must perforce establish this identity on such a vague level as "success." In the actual business of living there is no identity in the habits of the various groups of Executives, nor within groups. The scene is one of perpetual rivalry and conflict, as has been set forth by writers on the subject. In the course of this conflict Executives not only change and revise means but switch ends. So much so that no distinguishing characteristic of the Executive can be looked for in degree of "subtlety of perceptual field" or in the range of alternatives from which he draws his goals.

V

THIS FACT, that Executive behavior is independent of "ends" sought, suggests another, an inherent interest in his work which furnishes the Executive's "motive" for engaging in it. This inherent interest of execution—its expression of the instinct of workmanship—has not been accorded sufficient attention by social scientists dealing with the phenomenon. To explain why Executives keep at it they have endowed them with a lust for power or a desire for wealth and material advantages. To the latter insinuation it has been easy to reply that Executives who "want for nothing" stay at their tasks, and in this fashion the intrinsic attraction of, say, business (as a "game") has come in for its explanatory share.

As yet, however, the latter theories have given no clue to the mechanism of this attraction. There is no obvious reason

why administration should appear as a "game." Why should there be meaning (and therefore "motive") to the Executive's life instead of just a shapeless blur?

This question, of course, cannot be answered definitively. But there is some theoretical evidence to show that the Executive's interest in his work is, like that of the community, an esthetic interest. From the standpoint of the artist there is a continuity and cumulation in his deployment of "scarce means," and the skilled conservation of these is accompanied by the liveliest anticipation as to the outcome.

The factor of resistance [according to Dewey] is worth especial notice. . . . Without internal tension there would be a fluid rush to a straight-away mark; there would be nothing that could be called development and fulfillment. The existence of resistance defines the place of intelligence in the production of an object of fine art.⁹

In a further reference to the factor of resistance or tension, Dewey notes that "As in activity dealing with predominatingly intellectual matters, the material that constitutes a problem has to be converted into a means for its solution." *Mots* attest to Executives' keen grasp of this fact: "We shall use the capitalists' spades to dig their graves," "Straphangers pay the dividends," etc., etc.¹⁰ With reference to the other esthetic factors—cumulation, continuity, and conservation—there is also evidence that these are important to the Executive. Much has been made of pecuniary symbols in terms of which growth can be measured, and the emphasis on conservation is at least as old as the parable of the talents.

Professor Hayek has recently returned to this system of pecuniary accounting, and laid extreme and well-deserved

⁹ "Art as Experience," New York, Minton Balch, 1934, p. 138.

¹⁰ The reverse of this process, representing faulty workmanship, is the "boomerang." An intriguing recent instance concerns a Federal Congress which, in an attempt to curb labor difficulties, initiated machinery for taking strike votes at government expense. ("The unexpected turn, something which the artist himself does not definitely foresee, is a condition of the felicitous quality of a work of art; it saves it from being mechanical."—Dewey, "Art as Experience," p. 139.)

emphasis on its function. Its function is that of abstraction, precisely of the sort involved in any fine art. It is the means by which the Executive produces his esthetic effects, and it is the vehicle through which these effects are presented to the public. Incidental to the abstraction is the neglect of all but pecuniary values.

Assume that somewhere in the world a new opportunity for the use of some raw material, say tin, has arisen, or that one of the sources of supply of tin has been eliminated.

As this paper has emphasized, *what* the "new opportunity" is—war, fascist encirclement, race suicide—is irrelevant, to the Executive because he has no principles, to the public because it is rapt before the Executive's creation:

It does not matter . . . —and it is very significant that it does not matter—which of these two causes has made tin more scarce. All that the users of tin need to know is that some of the tin they used to consume is now more profitably employed elsewhere, and that in consequence they must economize tin.

When this takes place there are other consequences, and "the effect will rapidly spread throughout the whole economic system and influence not only all the uses of tin, but also those of its substitutes and the substitutes of these substitutes. . . ."

. . . *And all this without the great majority of those instrumental in bringing about these substitutions knowing anything at all about the original cause of these changes.* [Italics mine.]¹¹

The price lever is thus a marvelous tool, and Professor Hayek, true to the esthetic criterion, appreciates it for its own sake. That he also appreciates its importance for the Executive is suggested by the following:

The marvel is that in a case like that of a scarcity of one raw material, *without an order being issued, without more than perhaps a handful of people knowing the cause*, tens of thousands of people whose identity could

¹¹ It is said of the workers at Oak Ridge that they knew nothing of what they were making until the bomb fell on Hiroshima.

not be ascertained by months of investigation, are made to use the material or its products more sparingly.¹²

Undoubtedly Professor Hayek is too sanguine when he says that the marvel has taken place without an order being issued, that "the individuals do the desirable things without anyone having to tell them what to do." Here his usual emphasis on the Executive or "man on the spot" as a man of action, constantly and deliberately adjusting, "stepping in at once when A fails to deliver," etc., etc., is overcome by the traditional academic emphasis on business as "watchful waiting." When all this is said it remains true that Professor Hayek's encomiums on the price mechanism and on "the economy of knowledge with which it operates" are richly deserved. It is little wonder that this artistic achievement of the Executive has been imputed to Nature, and what is really the Executive's handiwork has been conceived and lauded as a talented organism, "not the product of human design."¹³

VI

A FACT THAT is so obvious that it is sometimes overlooked is the technical basis of these esthetic achievements of the Executive. Obviously the cumulation and conservation of pecuniary symbols depend not only on the institutions of free contract and guaranteed ownership but on such technical devices as cash registers and bookkeeping. Moreover the very existence and scale on which Executives deploy their energies are a function of technological development. This fact is recognized obliquely by those refutations of the "Great Man" theory of history which stress the importance of his environment.

¹² *Op. cit.*, pp. 526-27 (all five quotations).

¹³ Hayek, *ibid.*, p. 527. A typical statement along this line is that of W. C. Mitchell, "Business Cycles" (Berkeley, University of California Press, 1913), p. 31: "Prices . . . form a system . . . a system infinitely flexible in detail, yet stable in the essential balance of its interrelations, a system like a living organism in its ability to recover from the serious disorders into which it periodically falls."

In the history of technical development the contours are the results of tools being used in ways in which they were not intended to be used. In every case what we call an invention is such a novel combination. Something lying around the community is employed in a manner outrageous to common sense: glass which everybody knows is an *objet d'art* is put up as windows, gunpowder is taken out of temples and put into catapults, techniques intended for wheat are ignorantly used in rice-growing. When the elements so combined are done on the fanciful level the result is humor, and a man talking to a rabbit is as funny as a man jousting a windmill. When a tool is misused for the sake of the mistake itself there is art; such were El Greco's "astigmatism" and Manet's *peinture claire*. And such is the method of the Executive. The products of science and industry were never intended to be used in the way businessmen, politicians, and generals use them. Their incidence in these hands is of no material use; it is an end-in-itself the appreciation of which is of an esthetic nature. The work of the Executive is valuable for its own sake and no other, and certainly not for the maintenance and development of science and industry.

At the same time all that the Executive accomplishes he owes to this technical heritage. Mexico outside of the capital would never have heard of Porfirio Díaz if the railroads had not been going that way. For exactly the same reason the "world-wide tentacles" of cartels are not a function of the breadth of their organizers' vision. They are a function of the world-wide proliferation of transport and communication. Lastly, even the number and kind of Executives change as the technical base changes. Given the railroad, the local merchant as an independent supplier is dead, and the tightest railroad monopoly is as paper when automobiles come into being.

But when one has said as much, when it is fully recognized that the Executive is at the mercy of his tools, it is no more than one can say of the artist and the technician. New sources of energy revolutionize the inventor's task, and it is hard to find a book unaffected by the techniques of psychoanalysis. Executives can be distinguished in terms of the character and conditions of their skill no more than in terms of their motives and goals.

VII

THE FACT is that the only way in which Executive activity can be distinguished from that of technicians is in terms of its consequences. As much skill is involved in logrolling or cutthroat competition or "war of nerves" as in musical composition or chemical analysis. The same nervous equipment is utilized. The goals of the two sorts of actors (if defined vaguely) are the same, and the Executive, like the scientist, has, when it comes to principles, "raised indecision to the status of a principle."

Even on the level of consequences there is much similarity. A prime portion of this paper has been devoted to the attempt to identify one set of Executive consequences with those usually associated with the work of the fine artist. And if one considers (as is usually done) the *putative* consequences of the Executive these are also identical with those of the technician. As everyone knows, governments are responsible for the "law and order" of civilized society and capitalism gets the credit for the high standard of living.¹⁴

Another, secondary putative consequence of the Executive is the use of other Executives as instruments. This theory is

¹⁴ It is likewise putative consequences which are in mind when Executives advocate, e.g., universal military training as a "preparedness measure." Available evidence goes to show that military weakness is the inevitable concomitant of such training. Wars are won not by men "indoctrinated" with "the military outlook on life"—i.e., trained to fight the last war—but when men sufficiently untrained overwhelmingly outnumber the experts who know that carrier and tank warfare (for instance) are impossible.

common among the Left, and there is something to it, at least for the purposes of the Left Executives. There politicians, publishers, the clergy, and the military and diplomatic services are continually spoken of as "serving the interests" of business. No doubt the activities of these gentlemen have redounded to the advantage of business; and no doubt too that these various Executives have prospered in their own right, even to the point of challenging the leadership of their hire. It is a good question who was serving whom, America's late great War Leader or monopoly capitalism. Similarly it might be asked about the recent large numbers of subsidized economic research organizations, whether the enterprisers are getting helpful academic sanction or the economists are getting some books published. In general the history of American business Executives' use of agents and instruments is entertaining and instructive, and shows up as something less than an exact science. While this fact of conflict among the Executives is only too well known, one may be permitted mention of that classic case of the Latin-American general allowed to pass through the U. S. blockade of his country (the two powers were at war), whereupon he immediately began to rouse resistance against the Yankee invader. In all fairness, however, it should be said that a token show of resistance was called for.

VIII

BUT WHEN ONE LOOKS at their consequences for material well-being, the distinction between the Executive and the technician is sharp and uncompromising. The consequences of the latter are positive; that is to say, they maintain and extend life on the planet. In their major incidence those of the Executive are not so. As a matter of course the Executive's action is negative so far as the continuity of the race is concerned; at best it is neutral and permissive.

The Executive uses the technical heritage of the community in ways it is not intended to be used. This in itself is not a distinguishing characteristic of execution for so does the inventor and the artist. What is peculiar to the Executive's misuse is that it usually involves large-scale derangement to life and property, usually irreparable. At the very least it will involve a delayed and imperfect carrying-forward of the technical work when the community's interest (all but its esthetic interest) is best served by a constant "full employment" of the devices at hand, with none "shut down," "jettisoned," or "on the shelf." "High levels" of employment, qualitatively or quantitatively speaking, have little but esthetic interest to the continuum of life, and the same holds for profit margins, preparedness, and America's Duty to the Backward Areas. "The very strength of the desire, constantly voiced by producers and engineers, to be able to proceed untrammelled by considerations of money costs, is eloquent testimony to the extent to which these factors enter into their daily work."¹⁵

This permissive function of the Executive is often confused with a creative one. It is easy to see why: Executives are the first people to recognize the possibilities of technical innovations for (generally esthetic) use and misuse. Since open display in some form or other, or open concealment, which is just as noticeable, follows such recognition, the man who commands or denies also gets credit for the technical initiative. Thus in our own day it is well believed that corporations carry on scientific investigation and that the Nation's Chief Executive co-ordinated the recent atomic research. A rule which will entirely clear this error is simply, EXECUTIVES WILL ALWAYS TURN UP. If there is any mechanical or scientific progress afoot conceivably useful for Executive purposes,

¹⁵ Hayek, *op. cit.*, p. 523.

its usufruct is assured, under law and order. Technical innovations have never lacked for guidance, whether to prevent them from falling into the hands of those who would use them for war or industrial purposes, to forestall a dangerous and profitless obsolescence of pre-existing installations, to see that a modicum of cost is brought to bear on the public utilizing the new devices, etc., etc. Even now such an innovation as, *e.g.*, the St. Lawrence Seaway, is so much the concern of port representatives, Executives of power companies and railroads and Congressmen that it is no wonder they are called "innovators."

Such Executive lobbying and wire-pulling has as its upshot the development of the community's mechanical heritage in ways it is not intended to develop. It is commonly called an "orderly" development, meaning that the community does not find itself inundated by a precipitate outflow of goods and services, especially the business community. This novel use of technology, *i.e.*, its non-use, is the obverse of that colorful usage about which so much has been made already in this paper. The non-use is colorful in its own right; especially when Executives secure the non-use ("orderly development") of certain appliances by the full employment ("battleship diplomacy") of others. No one will doubt that, *e.g.*, the de-industrialization of Germany is a spectacle of unparalleled sweep and grandeur; nor will anyone come away from its concomitant drama, the political guardianship of the German and European peoples, without his money's worth. This "double-header" is playing constantly all over the world, on a sufficiently large and increasing scale.

This large scale on which Executive activities are carried on is a function of the large-scale technology whose employment the Executives oversee. Whether it be technology of water and air transport, or that of incendiary apparatus and

high explosives, it is being brandished and concerted on a scale and with a finesse never before witnessed. Whether the Executives in charge of the various aspects of this spectacle are "businessmen" seeking to get in on the ground (petroleum) floor in the Middle East or "military" men establishing the American Century of Peace and Trade or "politicians" scattering trusteeships gratis over the world, their scope is tremendous and the resulting artistic images dazzling. And the characteristically Executive consequences of this misuse of this technology, that is to say the consequences to life and property, are correspondingly large-scale.¹⁶

IX

WHAT OF THE EXECUTIVE'S WORK in this Twentieth Century will last? It is sometimes said that of all the alarums and excursions that mark any given culture only that represented by its best work in the arts and sciences will survive. The Poet-of-the-Year and the Actress-of-the-Year have a better lien on fame than the Man-of-the-Year.

While there is a great deal of truth in this assertion, it is not the whole truth. For in the verses of the poet and in drama and painting lie enshrined the deeds of Executives, deeds which in the fullness of appreciation are themselves works of art. This is the lasting contribution of the Executive, his one addition to the cultural cumulation.

What we remember of a great captain is not the dead and wounded charged to his account but the spectacle of empires made and unmade. Out of such experience the poet and the artist mold their images: whatever the consequences of execution for material well-being, it has seemed indispensable for

¹⁶ According to the folksong:

"Remember when the AAA
Killed a million hogs a day?
It isn't hogs, it's men today,
Plough the fourth one under."

art. At the same time the populace at large has found in the heroic strokes of the Executive the lightning which charges its humdrum world with color and excitement.

It remains to be seen whether Homer can do his work without Odysseus, or Dreiser without *The Financier*, and whether humanity in general can find in the ballet of machines and the flights of atoms the mystery and awe of highhanded and useless carnage.

New York University

What Is Crippling Free Enterprise?*

By GEORGE A. BRIGGS

Those who ardently advocate free enterprise and at the same time justify specific private monopolies are like a woman who has a keen relish for virtue, slightly flavored with adultery.

I

IT HAS BEEN my good fortune lately to view rather extensively the latest fashions in economic theory as these are revealed by text books used in leading universities. It has been an interesting experience. Why did anyone ever call this a dismal science? Scattered through this literature are descriptions, charts, diagrams and equations of interdependent economic forces, which give an analyst a chance to suggest in non-technical language what is happening to free enterprise.

The Russians, of course, as well as many of our own people and some of our economists, say it is an outworn system and should be supplanted by a planned economy. My survey of the data does not lead to this conclusion. It indicates instead, that the interplay of private initiative, which Walter Lippmann calls the "division of labor regulated by a free market," is as vital to the health of the economic body, as the automatic functions of internal human organs are to the physiological body.

It cannot be denied that the system is out of order, but this does not appear to be due to inherent weaknesses. On the contrary, government itself is the villain of the sketch. More-or-less unwittingly it sabotages the very system it is supposed to preserve and protect. Then, aghast at the inevitable consequences, it tries to remedy them by patchwork regulation. Let us consider a few of these instances of sabo-

* An essay presented to Francis Neilson, Litt.D., on the occasion of his eightieth birthday.

tage, and begin with the granting of charters to productive enterprises.

II

A CORPORATION has three chief advantages over a partnership or individual ownership. The liability of stockholders is limited to their investment. This partial exemption from laws to enforce contract makes capital more readily available for productive purposes. Then, too, a corporation has continuity. It is not disrupted or legally disturbed by the death of a stockholder.

These features do not in any way interfere with the principle of free private initiative since the way is open for any group of men to form a productive corporation. On the other hand, since a corporation cannot exist without a formal charter from government, the latter should be very careful to place limitations upon it. This is true because in the mind and heart of unregenerate man there lurks a tendency toward larceny, or, to put it more mildly, a lust for monopolistic power. As Adam Smith observed almost two hundred years ago, "men of the same trade seldom get together even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

Far from recognizing this tendency and insisting upon provisions to restrict it, our states have vied with each other in offering special advantages and immunities to corporations. No doubt this is done chiefly for the purpose of securing franchise taxes from corporations to which the particular state grants charters.

Some of these laws legalize procedures which do not discourage promotional extravagance, and do intrench management. Because of this and other reasons, many corporations consist of managerial dictatorships which, within broad limits and in many ways, may legally use their position to

their own advantage and to the disadvantage of stockholders. Especially is this true when stockholdings are widely spread. When, by whatever subterfuge, government grants such special powers and privileges to an individual or, as in this case, to a managerial group, it nullifies the principle of free enterprise. This principle demands above all else that economic activity must be free from the taint of governmental favoritism.

Some suggestions, then, are in order for restrictions on corporations to prevent them from being a menace either to the total economic structure or to their stockholders.

There should be rigid restrictions on expense for promotion and financing. It is said, for example, that these expenses in the case of the United States Steel Corporation amounted to \$62,000,000.

Then there should be only one kind of investment, namely common stock, fully paid in and fully participating. When there are issues of bonds or preferred stock, the holders of such securities are legally powerless to resist arbitrary, self-centered managerial policies so long as the corporation keeps out of bankruptcy.

Then, also, there should be drastic limitations on voting of proxies. It would seem indeed that in the case of requests for higher managerial salaries and bonuses, the proposals should be validated by a mail referendum and determined by a majority of those voting on the question, each stockholder having only one vote.

There should be mandatory provisions for stockholders' meetings at specified intervals and the board of directors should not be self-perpetuating. Years ago, the writer of these suggestions was president of a corporation which did not hold a stockholders' meeting for eighteen years. The directors held office until the next stockholders' meeting, which never was held. In the meantime, if a director died

or resigned, his successor was chosen by the other members of the board.

Surplus earnings should be distributed in dividends. If the management wants more funds for expansion it should be compelled to go to the market and sell new stock. When earnings are ploughed back into the business for further growth, the stockholders are coerced by management to make savings. Even the smallest stockholder should not have his freedom thus invaded.

Further, management should be made legally responsible to individual stockholders as well as to the corporation. Unfortunately, as our laws are now construed or were a few years ago, management can use inside information to swindle individual stockholders in certain ways, provided the action is not prejudicial to the interests of the corporation. For example, individual stockholders ignorant of pending developments known to the management, have been induced to sell their holdings at a price which would have been indignantly refused had they had knowledge of what was about to happen.

Lastly, one corporation should not be permitted to own stock in another corporation, and there should be no interlocking directorates. Every tub should stand on its own bottom.

III

ANOTHER INSTANCE OF SABOTAGE, brazen sabotage in this case, but welcomed by corporations and many others, relates to our patent laws. They are designed to stimulate invention. Thus an inventor is given an exclusive monopoly on his patented article, ostensibly for seventeen years, but, as we shall see, practically in perpetuity. This special monopolistic privilege plainly negates free enterprise. The problem is: what should be done about it?

There are two schools of thought, both of which believe in free enterprise. The first of these holds that practically all inventions are made by research departments of productive enterprises. The object is to reduce cost of operation. Every machine, every tool, every gadget in a factory is designed for this purpose. Incidentally, there are quite a number of machines, tools and gadgets in a modern factory. If the reduction in costs of operations more than covers the expense of research, then the latter is justified. No further incentive is needed. If expenses of a research department are not thus balanced, then it and the factory are guilty of inefficiency. So this school would repeal all patent laws.

It will be noted in this connection that machines, tools and gadgets are constantly being improved. Each improvement calls for another patent. So, instead of a seventeen-year monopoly on a single patent, a patent structure is created which, unlike man, is not mortal.

The other school holds that while most inventions are made by such research departments, nevertheless really basic inventions are usually made by amateurs. The names of Alexander Graham Bell, Elias Howe, S. F. B. Morse and others are adduced as evidence. Even so, it is held that some method of reward other than legal monopoly must be devised. As an example, the alternative of a bonus system, now used by Soviet Russia, is cited.

IV

NEXT, LET US CONSIDER governmental protection of brands and trade marks. If a company wants such protection the government and the customer are entitled to know what it is that is being protected. The product should not be shrouded in mystery.

If a go-getting enterpriser wants to keep his formula secret to reduce vigorous competition, the way is open for him to

do so. Suppose he wants to mix five cents worth of material with a quart of water and sell the compound for a dollar. In such a case, and such cases exist, he may achieve his desire for at least partial secrecy by not asking for governmental protection of his brand.

It would seem reasonable, however, that when protection is granted a brand or trade mark, relating to food stuffs, cosmetics, medicines, tooth paste, cleaning powder and other things involving easily understandable formulas, the complete formula, both qualitative and quantitative, in such cases, should be printed on the label.

In the case of brands and trade marks of another kind, the product should be graded by the same governmental agency that grades purchases made by government. The grade should be included in every advertisement of the product. As a byproduct of the main design to prevent monopoly and to encourage free competitive enterprise, the reader will note of course how these provisions would deflate much advertising ballyhoo. Would not that in itself be a public service?

V

NOW WE COME to a subject which has called forth more heat and less light than almost any other. I refer to duties on imports. Such duties obviously create either monopolies or what economists call monopolistic competition enterprises. For the purpose we have in mind, then, there should be no duties on imports.

Further, since we have been a creditor nation for many years, we are beginning to see that such duties are against our own interests for many reasons. They restrict exports as well as imports. They hamper the collection of principal and interest on loans made abroad. And they divert industry away from fields economically more desirable into fields less desirable. Even the Congress of the United States is now for

the first time dimly perceiving that a continuous excess of exports over imports does not constitute a favorable balance of trade.

VI

BEFORE GOING FURTHER, let us go back for a moment to our friend, the corporation. When it is granted special privileges in its charter; when it also enjoys monopolistic powers conferred by patents and tariffs, then quite often it grows in size beyond the point where diminishing returns begin. That point will vary, of course, with different industries. But economists agree that in any industry there is a point beyond which any further increase in the size of the enterprise will increase costs per unit of production.

The writer is going to hazard what one of our weekly magazines would call a guesstimate. It is based partly on actual knowledge of some relative costs per unit between giant corporations and smaller ones. Doubtless too, it is based partly on wishful thinking. For what it is worth, here is the guess.

More than half of the fifteen biggest productive corporations in the United States would be broken up into smaller and more efficient independent enterprises if all special legal privileges were withdrawn.

A corporation "is a useful instrument. So is a buzz saw."

VII

ONE HESITATES TO SUGGEST that anything is wrong with our system of land tenure. It is held in deep respect. The words reverence and worship perhaps are most descriptive of our feelings. Yet, let us be courageous and investigate the subject.

A deed to land carries with it two kinds of power. First, there is the right to exclusive possession. This does not interfere with free enterprise. On the contrary it promotes it.

No one would be justified in improving land if he could not be assured of continuous tenure and permanent ownership of buildings and other improvements which his enterprise may place upon the land.

The other aspect of a deed to land gives the owner power, if he does not wish to use the land himself, to determine the conditions upon which he will permit others to use it. As to improvements, created by enterprise, this procedure is thoroughly legitimate. But is it legitimate as to bare land?

Economists are largely in agreement on a few points respecting land. It is a free gift of nature. Certainly that is a truism if there ever was one. Government, therefore, interferes with free enterprise when it permits any individual to exact a price for the use of this free gift of nature; when those who do not have land but wish to use it, must pay those who do have land but do not wish to use it.

Further, there is a great difference in value between different tracts of land, a difference which is a function of population and does not inhere in land as mere land. A rural tract, for example, is much less valuable than a tract of similar size in the downtown district of a metropolitan city. The annual value of each tract is known to economists as rent.

When one man can exact from another a price for this free gift of nature, the selling price approximates the capitalized value of rent which goes to the owner of the land. If each owner or user annually paid into the public treasury the amount of this rent in lieu of taxes, then all owners and users would have equality of opportunity. This would be true because the rent paid in each case measures the advantage to the owner of having exclusive possession of the tract in question. Then, too, since no rent would be retained by individuals, the selling price of land, exclusive of the value of improvements in or on it, would disappear.

The use value would remain the same as, or better than, it

now is. There would be no temptation to hold land out of use for speculative purposes against the time when growth of population would make it more valuable. All land that was needed would be brought into use. This increase in available supply would tend to reduce rents.

I do not know why we are so obsessed with the conviction that high land prices are desirable. One economist, however—Harry Gunnison Brown—who is not so obsessed, says, "The truth is that high land prices are an economic and a social calamity. They make it harder for the struggling worker to purchase land for a business, a farm, a home. They accentuate the trend towards tenancy, as against ownership by the user of the land."

VIII

IT WOULD SEEM in the light of this analysis that some of the chief sins of government against free enterprise are laws relating to corporations, patents, brands, trademarks, duties on imports and land tenure.

Some of these laws were adopted with the best possible intentions. Resulting evils simply confirm John Dewey's thought that unforeseen consequences of an act often are more important than those foreseen or hoped for. On the other hand, many of these laws were enacted at the behest of sinister pressure groups who cry to high heaven for freedom and free enterprise, while what they want and actually get is freedom to acquire monopolistic advantages for themselves and their kind.

The question arises, then, what chance is there for preserving free enterprise through democratic processes? Straight thinking and humility of spirit may be helpful here if we wish to cultivate them and know how to do so. They will make us face the significance of a statement by John Ise in his great book, "Economics," recently published, that "it is

one thing furthermore to draw up an ideal scheme, such as men of good will and high principles ought to like; it might be quite another to administer it to the satisfaction of a public made up heterogeneously of intelligentsia and ignoramuses, workers and drones, altruists and egotists, idealists and pig-trough philosophers."

The question now resolves itself into what will be the ultimate outcome of the impact of pig-trough pressure groups on the economy of such an electorate? If present trends persist, there is little basis for optimism. Trends, of course, do not always persist. In physics, for example, when heat is gradually extracted from water, the latter ceases to contract and begins to expand at 40 degrees Fahrenheit. It is conceivable that well-organized, public-spirited pressure groups might cause a similar reversal of trend in the human situation we are examining.

To this end, if they held firmly to the ideal, and worked for and toward it with intelligence and persistence, such a course would at least enrich their lives, and it might provide the most promising way to evade the poisons of pessimism.

Meanwhile they could be sure that if freedom of enterprise, and other freedoms to which we give fervent lip service, cannot be preserved by and through democratic processes, their doom would be sealed sooner and more swiftly under any other form of government.

Los Angeles, Calif.

Mercantilism and Keynesianism

By L. ALBERT HAHN

NOTHING IS SO INSTRUCTIVE for the evaluation of scientific and political ideas as the history of those ideas. It teaches us that conceptions that claim novelty and originality have been nearly always, during the course of history, not only conceived but refuted. Its knowledge can therefore prevent scientific discussion from moving always in circles. It can prevent undertaking hopeless economic experiments for the testing of which the past has already paid. And finally it can deprive some scientific or political opinions of the appeal of paradoxity that make them seemingly irresistible to many people.

In the field of Monetary Theory and Policy, history teaches us, furthermore, that ideas concerning the rôle of money in the economy swing like a pendulum from one extreme to the other. Times when the power of monetary changes is over-rated alternate with times when it is under-rated. Times when a reasonable synthesis of opinion is achieved seem seldom and short.

There seems no doubt that in our time the pendulum has again swung strongly in the direction of an over-estimation of the possibilities of influencing the economy from the money side. By the followers of the late J. M. Keynes, whose opinions prevail especially in this country, it is considered self-evident that by increasing purchasing power (or "effective demand") employment can be increased and unemployment combatted. It might therefore be appropriate to recall briefly the teachings of the school that has shown more enthusiasm for monetary manipulations than any other during history. We mean the teachings of the *Mercantilists*.

The Theories of the Mercantilists

THE RELATIONSHIP OF KEYNESIANISM to Mercantilism of the sixteenth to the eighteenth centuries is well known. Keynes, himself, in chapter 23 of his "General Theory of Employment Interest and Money"¹ has pointed to it. He has said much in praise and in defense of mercantilistic theory and policy and against arguments presented by its classical critics.

The ideas of the Mercantilists contain—in this we have definitely to agree with Keynes—theoretical insights on money which are astonishing for those times. This is why the general prejudice against them is surely unjust. But can it be concluded from this, as Keynes seems to assume, that Mercantilism can be used in support of Keynes' ideas, especially regarding the stimulation of business activity? We doubt it.

The main conclusion of the Mercantilists is—in Keynes' formulation—that "a favourable balance (of payments in international trade), provided it is not too large, will prove extremely stimulating."² This stimulation happens, according to the Mercantilists, by a simple mechanism: The favourable balance of payments draws precious metal into the country. This increases the circulating purchasing power. This again means increased demand for labor and thus higher production. Such a mechanism can indeed work; however, as Keynes correctly remarks, only under the condition that "the increase in the domestic level of costs (does not) begin to react unfavourably on the balance of foreign trade";³ a condition which the Mercantilists fulfilled by "discouraging rises in the wage-unit."⁴

If the Mercantilistic employment theory thus is based on the idea that increased purchasing power results in higher

¹ J. M. Keynes, "General Theory of Employment Interest and Money," New York, 1936, p. 333 ff.: Notes on Mercantilism, the Usury Laws, Stamped Money and Theories of Under Consumption.

² Keynes, *loc. cit.*, p. 338.

³ *Ibid.*, p. 336.

⁴ *Ibid.*, p. 340.

employment, provided wages remain fixed, they have indeed anticipated Keynesianism. For Keynes, too, holds the theory that increased demand leads to increased production; and his theory, too, is only valid if wages and costs are prevented from rising with and through the increasing demand.⁵

This condition was fulfilled in the times of the Mercantilists. Today it is everything but fulfilled.⁶ Therefore the paradoxical situation arises that Keynesianism is indeed applicable for an analysis of Mercantilistic but not of modern economy; and that on the other hand Mercantilism cannot be used to support modern Keynesianism.

However, we do not want to examine further the factual conditions under which the Mercantilistic-Keynesian Employment Theory is valid. What we want to show is that the Mercantilistic employment theory embraced in fact all essential features of modern "Effective Demand Analysis."

As far as I can see, the man who developed this analysis most conclusively is John Law who, although generally not counted among the Mercantilists proper, is undoubtedly to be considered the strongest and most interesting exponent of their ideas.

John Law is the man with the fabulous ascent and the terrible downfall. At the peak of his good fortune (1717-1720) he was master of a billion, but he died (1729 in Venice) in extreme poverty. Seldom has a man been more loved and admired and also more hated and despised. His relation to Mercantilism can be compared with the relation of Keynes to the New Deal. He was not the originator of the movement but he was the most able and mature formulator of its ideas. Law's chief works ("Money and Trade Considered as a Proposal for Supplying the Nation with Money"⁷ and his

⁵ *Ibid.*, p. 289.

⁶ Cf. L. A. Hahn, "Compensating Reactions to Compensatory Spending," *American Economic Review*, 1945, p. 36.

⁷ John Law, "Money and Trade Considered as a Proposal for Supplying the Nation with Money," Glasgow, 1760. (First published at Edinburgh—Andrew Anderson, 1705.)

Memoires sur les Banques and *Lettres sur les Banques*"—1717)⁸ are not the works of a crank, as has been maintained by Charles Rist⁹ and many other authors, but of an extremely ingenious thinker who reached conclusions amazing for his time.

Law has by no means identified abundance of money with abundance of goods, for which many Mercantilists have been correctly reproached. On the contrary, Law states expressly that money as such has no value by its use: "Money is not the value for which goods are exchanged but the value by which they are exchanged: the use of money is to buy goods, and silver while money is of no other use."¹⁰ Money is not wealth but money creates wealth. For "National power and wealth . . . depend on trade and trade depends on money"¹¹ ". . . nor can more people be set to work, without more money to circulate, so as to pay the wages of a greater number."¹²

Creation of Employment through Creation of "Effective Demand"
BUT HOW IS IT that according to Law money creates wealth? Law's reply differs in form but, as far as I can see, not in essence from the reply that Keynes has given nearly two and a half centuries later. It is already a complete "analysis in terms of effective demand." We quote the famous passages from chapter seven of Law's "Money and Trade":

Suppose an Island belonging to one man, the number of Tenants 100, each Tenant 10 in Family, in all 1000. By these the Island is labour'd, part to the Product of Corns, the Rest for Pasturage. Besides the Tenants and their Families, there are 300 Poor or Idle who live by Charity. There is no money; but Rents are paid in kind, and if one Tenant has more of one Product, and less of another than his Family has occasion for he barterers with his Neighbour.¹³

⁸ *Economistes financiers du dix-huitieme siecle*, Paris, Quillaumin, 1843. Edited by Daire.

⁹ Charles Rist, "History of Monetary and Credit Theory," English Edition, 1940.

¹⁰ Law, *op. cit.*, p. 188.

¹¹ *Ibid.*, p. 110.

¹² *Ibid.*, p. 21.

¹³ John Law, *op. cit.*, pp. 182-3.

One sees that there are 300 unemployed and 1000 farmers who are employed only half the year. "For this reason," continues Law, "Tis proposed to the Proprietor that if a Money were established to pay the Wages of Labour, the 300 Poor might be employed in manufacturing such Goods as before were exported in Product; and as the 1000 that labour the Ground were idle one half their Time, they might be employed so as their additional Labour would be equal to that of 500 more."¹⁴

And he concludes: "But as this addition to the Money will employ the People that are now Idle, and those now employ'd to more Advantage, so the Product will be encreas'd, and manufacture advanced."¹⁵

This is obviously the same idea that Keynes expresses in the words: "... it will be possible to increase employment by increasing expenditures in terms of money"¹⁶ and later "... as effective demand increases, employment increases."¹⁷

But what is the deeper reason for the creation of employment by the creation of new money or demand? Keynes explains the mechanism very clearly by analyzing the reason for existing unemployment. If people are unemployed, it is because their wage demands are higher than the value of their product. If new money is created the prices of the products increase in terms of money whereas wages remain stable.¹⁸ So new money transforms former unemployed into employed by reducing the reward of labor in comparison to the value of its product. Keynes, himself, it is true, believes in the employment creating power of an increase in the quantity of money only for the "general case" because only in the "general case" can wages be considered stable. His followers, how-

¹⁴ John Law, *op. cit.*, pp. 183-4.

¹⁵ *Ibid.*, p. 198.

¹⁶ Keynes, *loc. cit.*, p. 284.

¹⁷ *Ibid.*, p. 289.

¹⁸ *Ibid.*, p. 284.

ever, have formulated the theory in an absolute form forgetting the special Keynesian assumptions. For them, increase in purchasing power increases employment always until all unemployed are absorbed.

We have already mentioned that nowadays money wages can no longer be considered as stable when an inflationary monetary policy tends to lower real wages. In Mercantilistic times, however, the mechanism as described by Keynes could work, because the omnipotent State had absolute control over labor conditions. At that time the workers were forced to work wherever the government wanted and wages were fixed—and at very low levels—by governmental authority. It is well known that, in case of need, workers were even driven by force into the factories and a not unimportant part of labor supply was recruited among the inmates of prisons and orphanages.¹⁹

Creation of Purchasing Power through Creation of New Paper Money

IF THE INCREASE of purchasing power means more employment and more employment means more wealth, then the problem of increasing wealth is obviously the problem of increasing purchasing power. And here, in this question how the quantity of purchasing power (of money) can be increased, Law arrives at those statements and claims through which he gained, more than through everything else, the attention but also the curse of his contemporaries and later generations. Law claimed not only that bank notes or paper money should be created, but also, and this is the decisive part, that it should be created in any amount demanded and for which security on real estate could be given. If the authorities . . . "do not give out money when it is demanded, where good security is offer'd 'tis a hardship on the person who is

¹⁹ *Handwoerterbuch der Staatswissenschaft*, "Merkantilismus," 1925, Band VI, pp. 548-9.

refuted, and a loss to the country: for few if any borrow money to keep by them; and if employ'd it brings a profit to the nation, tho' the employer loses."²⁰

Thus according to Law's theory the size of the credit supply in a country is no longer dependent on the amounts which have been saved, nor, incidentally, on the amounts of capital goods that are available. With paper money to be created *ad libitum* every credit demand can be met at the prevailing interest rate without any disadvantageous consequences. It was this theory that served as a theoretical justification, not only for the bank which he himself was to create later on, but also for the entire sympathetic attitude towards the creation of banks of deposit and banks of issue during the eighteenth and nineteenth centuries. It led to the idea that the foundation of a bank, and especially of an Issuing Bank, is under all circumstances beneficial for every country; an idea that later on was formulated by McLeod in the words: "A bank is a gold mine."

It will be noted that Law's opinions are, to a certain extent, more conservative than those of the modern proponents of the "easy money policy." Law's idea is that every demand for credit can be satisfied through creation of new money at the same interest rate, *i.e.*, that the scarce supply need not be defended by rising interest rates. Modern easy money policy as proposed by Keynes²¹ goes further in that it advocates lowering of interest rates below the prevailing level in order to incite new demand. Generally speaking, however, it is clear that John Law can be correctly considered the founder of the modern "easy money policy."

The Experience of John Law's Bank

As is WELL KNOWN, Law had full opportunity to try to create employment through creation of new purchasing

²⁰ John Law, *op. cit.*, p. 168.

²¹ Keynes, *loc. cit.*, pp. 27-8.

power, and to create new purchasing power by the issuing of paper money. He founded in 1717 his famous Issuing Bank. The bank created (at the end of 1719) probably the greatest boom of all times with more employment than was desired. But at the beginning of the year 1720, probably the biggest crash of all times followed.

The bank created paper money without hindrance and inhibitions. Every demand was satisfied—the demand of the private economy, the need of which for credits rose during the boom, as well as the demand of the government which financed its deficits through the help of the banks. The latter, incidentally, took place as the result of the pressure of the government and very much against the will of Law. The creation of paper money led at first to an increasing discount of the bills in comparison to bullion, then to their repudiation: the public no longer accepted the paper money. And all this, although all the well known techniques were applied with which governments, deteriorating their money, fight against their citizens who want to conserve their capital. The hoarding of bullion was suppressed, the use of coins only allowed for small payments. Export of bullion was punished. Wearing diamonds and pearls and their import were forbidden. Manufacture of objects in silver was prohibited and the paper money became legal tender in the entire country.²²

It has been said that the débâcle occurred because Law was an Inflationist, *i.e.*, he consciously aimed at the depreciation of money. Nothing is more false. He believed that he could create employment by creating money and that he would be able to cease the issuance of new money the moment full employment was reached. He was, therefore, not an "Inflationist" but a "prosperity spender." Like his modern successors, he believed that prosperity created through inflation could be stabilized at a high level. He overlooked that the

²² Cf. *Handwoerterbuch der Staatswissenschaft*, "John Law," 1925, Band VI, p. 261.(3).

inflationary boom is either followed by deflationary reaction or by a runaway inflation—this latter in case an attempt is made to prolong the boom artificially. For the stimulus of inflation only works so long as costs have not adapted themselves to rising prices. Therefore, prices have to be raised ever anew by the creation of new money in order to provide the necessary stimulus for the maintenance of the boom. The ever-renewed issuance of new money, however, leads, in the long run, to the ruin of the currency. Law's experiment, in any case, ended in severe economic depression, the bankruptcy of his bank, and the devaluation to zero of the paper money it issued.

If a great financier dies at the peak of his power it is said at his grave that he was a financial genius. If he dies, like Law, after the collapse of his creations or if it is discovered (as, for instance, in the modern case of a Kreuger) after his death that he was bankrupt, people say that he has been a ruthless speculator who has ruined his contemporaries and his country. If Law's "system" lives in the memory of posterity as the creation of a visionary, a swindler and a crook, it is because he died broke. But his theories would be objectionable even if by chance his bank had survived him for a certain time.

The Criticism of the Classicists

LAW'S THEORIES are not only interesting because of their similarity to modern ideas. Their knowledge is indispensable if one wants to do justice to the teachings of the great English Classicists in the field of monetary and general theory. It has become customary nowadays to think of the Classicists as a sort of antiquated and obsolete out-of-the-world people whose assumptions "happen not to be those of the economic society in which we actually live" as Keynes²³ charges. In reality their theories were based on the very practical experi-

²³ Keynes, *loc. cit.*, p. 3.

ences of their times and if certain, but by no means all, of their views were one-sided, this is explainable by the fact that they were the reactions to a very extreme swing of the pendulum to the unconservative side.

More Money Leads to Higher Prices Not Higher Employment

WHAT THE CLASSICISTS set against the ideas of Law, (whose name, by the way, they did not mention because they considered him too unworthy of notice) was the "Quantity Theory of Money" which they did not invent but which they reproduced and formulated anew. By so doing they expressed the basic truth of monetary theory to which science will always return after excursions into the realm of fantasy, quackery, and the illusion that basic economic maladjustments can be corrected through monetary measures. Its classical formulation of the quantity theory is found in the famous fourth paragraph of the twenty-seventh chapter of David Ricardo's "Principles of Political Economy and Taxation": "A circulation can never be so abundant as to overflow; for by diminishing its value, in the same proportion you will increase its quantity, and by increasing its value diminish its quantity."²⁴

It is clear that within the framework of a quantity-theoretical attitude there is no room for the idea that employment can be increased by increasing purchasing power. If one creates additional money, prices and wages, but not employment, will increase. Employment will increase not when money but when capital consisting of tools and of means of subsistence for the worker, increases. Adam Smith expresses this idea in the second chapter of the second book of his "Inquiry into the Nature and Causes of the Wealth of Nations" in the following way:

²⁴ David Ricardo, "Principles of Political Economy and Taxation," 2nd edition, London, 1819, p. 448.

In order to put industry into motion, three things are requisite; materials to work upon, tools to work with, and the wages or recompense for the sake of which the work is done. Money is neither a material to work upon, nor a tool to work with; and though the wages of the workman are commonly paid to him in money, his real revenue, like that of all other men, consists, not in the money, but in the money's worth; not in the metal pieces, but in what can be got for them.

The quantity of industry which any capital can employ, must, evidently, be equal to the number of workmen whom it can supply with materials, tools and a maintenance suitable to the nature of the work. Money may be requisite for purchasing the materials and tools of the work, as well as the maintenance of the workmen. But the quantity of industry which the whole capital can employ, is certainly not equal both to the money which it purchases, and to the materials, tools and maintenance, which are purchased with it; but only to one or other of those two values, and to the latter more properly than to the former.²⁵

It follows that according to the Quantity Theorists an increase of purchasing power can never lead to an increase in employment. The increase in purchasing power leads to an increase in prices, and, because the workers need the same amount of means of subsistence, to a corresponding degree of wage increases. The increase of money exhausts itself and is absorbed by these price and wage increases. There is no money left for the employment of additional labor.

It is clear that this line of thought is exactly the contrary of Law's. Whereas the latter believed that the additional money can be used profitably for the employment of workers hitherto unemployed, the Quantity Theorists contend that the additional money spent itself in increased nominal prices and wages. No wonder that in their system there was no room for what one calls today fluctuations of employment caused by fluctuations of "effective demand."

²⁵ Adam Smith, "An Inquiry into the Nature and Causes of the Wealth of Nations," Vol. I, 8th edition, London, 1796, p. 440.

Loanable Funds Cannot Be Increased Through Creation of Additional Money

FOR THE SAME REASONS, the Classicists deny that it is possible to increase the amount of purchasing power loanable to entrepreneurs by the issuance of new paper money. They consequently deny, too, that it is possible to lower interest rates or to prevent their rising by increasing the quantity of money.

I do not dispute [says Ricardo in his famous essay, "The High Price of Bullion"²⁶] that if the Bank were to bring a large additional sum of notes into the Market, and offer them on loan, but that they would for a time affect the rate of interest. The same effects would follow from the discovery of a hidden treasure of gold or silver coin. If the amount were large, the Bank, or the owner of the treasure, might not be able to lend the notes or the money at 4, nor perhaps above 3 per cent; but having done so, neither, the notes, nor the money, would be retained unemployed by the borrowers; they would be sent into every Market, and would everywhere raise the prices of commodities, till they were absorbed in the general circulation. It is only during the interval of the issues of the Bank, and their effect on prices, that we should be sensible of an abundance of money; interest would during that interval, be under its natural level; but as soon as the additional sum of notes or of money became absorbed in the general circulation, the rate of interest would be high and new loans would be demanded with as much eagerness as before the additional issues.

Only through increased savings can loanable funds be augmented and interest rates lowered. "To suppose that any increased issues of the Bank can have the effect of permanently lowering the rate of interest, and satisfying the demands of all borrowers, so that there will be none to apply for new loans, or that a productive gold or silver mine can have such an effect, is to attribute a power to the circulating medium which it can never possess. Banks would, if this were possible, become powerful engines indeed."²⁷ . . . "Profits can only be lowered by a competition of capitals not consisting of a circulating medium. As the increase of bank notes

²⁶ Fourth edition, London, 1811.

²⁷ *Ibid.*, pp. 35-6.

does not add to this species of capital, as it neither increases our exportable commodities, our machinery, or our raw materials, it cannot add to our profits nor lower interest."²⁸ The reason is simply that the increase of currency increases prices. The power over machines, material and labor that the entrepreneur acquires through the credits is only apparently but not actually enhanced. It is true that displacements and dislocations of the power to command production factors occur. The owner of the old money is expropriated in favor of the entrepreneur who is endowed with the new money. In a masterly way Ricardo depicts these consequences of an inflationary credit expansion: "But however abundant may be the quantity of money or of bank notes; though it may increase the nominal prices of commodities; though it may distribute the productive capital in different proportions; though the Bank, by increasing the quantity of their notes, may enable A to carry on part of the business formerly engrossed by B and C, nothing will be added to the real revenue and wealth of the country. B and C may be injured, and A and the Bank may be gainers, but they will gain exactly what B and C lose. There will be a violent and unjust transfer of property but no benefit whatever will be gained by the community."²⁹

The Pendulum Has Again Swung Backwards

AS WE HAVE MENTIONED at the beginning, times that over-rated the power of monetary changes have alternated with times under-rating this power.

The aim of science should be, in this as in every other field, to achieve a synthesis of the divergent concepts. Such a synthesis, incidentally, has been reached by David Hume in his "Essay on Bank and Paper Money," 1752.³⁰ He describes

²⁸ *Ibid.*, p. 36.

²⁹ *Ibid.*, p. 37.

³⁰ "A Select Collection of Scarce and Valuable Tracts and Other Publications on Paper Currency and Banking," edited by McCulloch, 1862.

here the strong effects of inflation on production during transitory periods and the ineffectiveness of purely monetary measures for longer periods. He recognizes the reason for this: inflation no longer works as soon as the various data of the economy have become adjusted to the increased quantity of money. Thus, Hume avoids the over-estimation of the Mercantilists as well as the under-estimation of the Classicists.

A clear case of over-estimation of monetary measures can be found in German literature after the First World War when such books as my own *Volkswirtschaftliche Theorie des Bank Credits*³¹ appeared. Here the possibility of "eternal prosperity by credit expansion" was seriously discussed. However, after a short period of over-enthusiasm concerning the effects of monetary changes, a sort of synthesis between classic and pre-classic concepts was found; a synthesis that placed the "monetary theory" where it belongs, namely, in the realm of business cycle theory, and limited its explanatory value to the necessarily transitory phases of the up and down swings of the business cycle. For movements outside the cycle and for all devices to influence structural or stabilized shortcomings of the economy, the classical approach remained dominant.

People seem to learn only from their last experience. Under the impression of the disastrous consequence of inflation, German monetary policy turned extremely deflationary in the early thirties. The consequence was such an increase of unemployment and such an uprooting of the entire social structure that the Nazi revolution was made possible.

The experience with deflation during the Great Depression in the Anglo-American countries was less serious but serious enough to imbue people with a terrible fear of a repetition of deflation and a great respect for reflationary measures. Out

³¹ Tuebingen, 1926.

of this situation Keynes' book and its influence on his contemporaries is to be understood. In the opinion of this author, the atmosphere through which it has been created and which again it has so strongly enforced represents a swing of the pendulum away from the classic toward the pre-classic state of affairs that can only lead to deceptions. It is to be hoped that theory and policy will again revert to a reasonable synthesis of the divergent concepts.

New York

Agrarian Land Reform in Japan

IN JAPAN the United States has had an unusual opportunity to install a democratic system of land tenure which would abolish for all time the curse of land monopoly there. Interesting steps have been taken by General MacArthur, but the results to date fall short of what is needed. The agrarian situation has been summarized by Lawrence K. Rosinger in *Foreign Policy Reports* as follows:

"General MacArthur in December, 1945, ordered far-reaching changes 'to destroy the economic bondage that has enslaved the Japanese farmers for centuries of feudal oppression.' Initial proposals of the Japanese government proved unsatisfactory to the Supreme Commander for the Allied Powers, and it was not until October, 1946, that acceptable measures were passed by the Diet.

"Under the new land law the government is to purchase all tenant land owned by absentee landlords and all other landlord holdings above a certain number of acres for resale to tenants. Rural land commissions, representing landlords, tenants and others, are to determine the amount of land for sale and supervise the transfer of land to tenants. The tenants are to repay the government in thirty annual installments, and it is said that more than three-fourths of the land now in tenancy will be sold.

"There is a loophole in the right of the rural land commissions, which may be dominated by landlords, to allow an owner-operator to hold more than the normal maximum if he has a good farming record and is using the land efficiently. It is probable, however, that large numbers of tenants will benefit at least temporarily. Two other questions—probably incapable of solution by SCAP—will remain untouched by the land reform: how to prevent the tenants from falling into debt and losing their land, and how to reorganize a farm system whose minute plots are uneconomical."

It is quite clear that this program will not solve the land question in Japan. It will not destroy the economic bondage that has enslaved the Japanese farmers. In Japan, as elsewhere, the world's democratic land reformers have a big job of education to do to bring about thorough-going reform. It can only be hoped that inflation and confiscation will destroy the political power of the *rentiers* into whom the landowners are being transformed.

W.L.

The Problem of Employment*

By F. C. R. DOUGLAS

THE PUBLIC INSTINCT is right in regarding unemployment as the crux of the social problem. Because of its author's reputation, Sir William Beveridge's¹ contribution to the discussion, *Full Employment in a Free Society*, has been eagerly awaited. The title certainly comes up to expectation. Full employment in a slave society would present a difficult and repugnant choice. But does the book itself live up to the expectation? Does it diagnose correctly the cause or causes of unemployment? And if so, does it propose appropriate and adequate remedies? These are the vital questions.

Four Assertions

THE BOOK contains so large an apparatus of statistics, description, and discussion of detail that the reader may well have difficulty at first in discovering the essentials of the argument. He may also very easily be diverted from consideration of the basic features of the proposal by the elaborate and intriguing exposition of the various alternative forms which it may take, and thereby be subconsciously induced to assume that the fundamental propositions have been proved.

The foundation of the argument, we think, can be reduced to four assertions:

1. Unemployment is due to insufficient outlay (spending) upon the products of labor.
2. Outlay is insufficient because what people save (*i.e.* do not spend on consumption) is not all invested (*i.e.* spent on new means of production).
3. Any kind of spending will maintain employment,

* Copyright, 1947, by F. C. R. Douglas. Expanded from an article in *Land and Liberty*, London, Vol. 52, No. 608.

¹ Now Lord Beveridge.

whether it is on consumption or investment, although useful spending is to be preferred to useless spending.

4. Any spending induces employment not merely to the extent of the spending, but to a greater extent, because it will set up a demand for other labor. (The multiplier effect.)

These four propositions appear to contain the whole of the economic analysis upon which the book revolves. We propose to examine them in turn.

Spending and Employment

THE FIRST PROPOSITION is formulated by Sir William in these words: "Employment depends on outlay, that is to say, on the spending of money on the products of industry; when employment falls off, this means that someone is spending less; when employment increases, this means that in total more is being spent." In one sense this statement is a truism. When employment is brisk and production is high, no doubt more is spent; and conversely. But Sir William means more than this. His proposition is intended to contain a relation of cause and effect. It asserts that spending is the cause of employment, and not that employment is the cause of spending. This distinction is the basis of his whole argument and plan. If the reverse statement is true, if spending is the consequence of employment, then the argument falls to the ground.

No doctrine crops up more frequently in the history of economic thought than this. It lies at the root of the mercantilist contention that money should be kept in the country. It is the implicit basis of the argument for protection. When it is proposed, for example, to set up a plant to distil oil from coal at twice the price at which oil can be imported, the same idea that spending is beneficial is invoked. This notion was the subject of one of Bastiat's celebrated economic fallacies. A boy throws a stone and breaks a householder's windows. The neighbors condole with him, but at the same time remark that

it is an ill wind that blows nobody good: there will be work for the glazier. However, as Bastiat remarks, they forget that if the man had not had his window smashed he would have spent the money with the shoemaker, or some other tradesman. In the upshot the householder is without the slippers he might have had, and the rest of the community is no better off—the shoemaker has lost the householder's money, and the glazier has gained it.

Production and Exchange

SIR WILLIAM does not attempt to give any proof of the assertion that spending creates employment. It may be deemed superfluous, therefore, to provide a disproof. Nevertheless it is well to be clear about the nature of employment and spending. Employment, that is to say, useful employment, consists in producing new means of satisfying human desires. The devotion of the effort of one person to making one thing or a part of a thing necessitates the exchange of the produce of one person's labor (or the value of it) for that of others. Such exchanges may under simple conditions take place directly. Under more highly developed conditions of production, barter, even if it were possible, would be most inconvenient and wasteful. Hence these exchanges take place indirectly, through the agency of money. Moreover, money can only be obtained by giving something in exchange for it. Hence, work precedes spending. There is only one exception to the proposition that money can only be obtained by giving something in exchange. That is when new money is brought into existence and put in the hands of the government or some other agency without the giving of equal value in exchange. This process is called inflation, and the consequences of it will be examined later.

Saving and Investment

ALTHOUGH he does not admit it, Sir William appears to realize that the first proposition (that unemployment is due to

insufficient spending) needs strengthening. It seems to be on this account that he introduces the second proposition, namely, that spending is insufficient because what people save is not all invested. This is derived from Keynes' *General Theory of Employment, Interest and Money*, the publication of which, in 1936, is said to have inaugurated "a new era of economic theorizing about employment and unemployment." Sir William does not attempt to demonstrate the truth of this theory. He takes it for granted as generally agreed, quoting an American economist, Mr. Paul A. Samuelson; "Upon one thing all modern economists, of whatever school of thought, are agreed: the amount which the community wishes to save at full employment income levels must somehow be offset (*i.e.* by spending), or income will fall until the community is so poor and wretched as to be willing to save no more than can be offset."

It is also remarkable that, although he provides a superabundance of charts and tables relating to unemployment, Sir William offers not a single factual corroboration that unemployment is caused by unspent savings. He draws attention to the fact that the proportion of workers unemployed in this country between the two wars was two to three times as large as that ruling prior to 1914. Is it true that there was so much more difficulty in spending savings in the latter period than in the former? And if so, what is the reason? These are crucial questions, but they are neither asked nor answered.

What Happens to Savings

WHEN ANYONE decides to save, his first step is to abstain from consuming the whole of his income. His next step is either to purchase some new capital (machines, tools, etc.), or to subscribe for the shares of a newly formed company which will purchase new capital, or to buy existing capital, or to buy the shares of existing companies owning such capital. The third

and fourth alternatives do not appear to involve any employment, provided that those who sell the existing capital or existing shares do not use the money they receive to buy new capital. In that event it is evident that the price of existing capital and existing shares will increase. The rate of return to be obtained from purchasing them will diminish. On the other hand the cost of new capital and the rate of return from it will have remained unaffected. Hence those who have had higher prices for the shares or capital they sold will have a greater inducement to buy new capital. It is in this way that savings and investment in new capital are brought to equality. Saving and investment are self-balancing.

There remains the possibility that the saver will do none of these things: that he will simply hoard his money and refuse to purchase anything. If he does so, then there is no advantage to him in saving, and he would be better off if he stopped saving. After all the purpose of saving is to exchange present income for future income. Hoarding does not achieve this, and the miser has always been regarded as akin to the lunatic. The one circumstance which will induce normal and intelligent men to hoard money is when they fear that the arbitrary and uncertain interference of the State will upset their calculations and turn an anticipated profit into a loss. That this has happened to some extent at times between the two wars is possible. It is also possible that the extensive policy of State intervention in economic affairs contemplated by Sir William Beveridge might encourage such conduct; it would certainly not discourage it.

Productive or Unproductive Expenditure

THE THIRD PROPOSITION is in a sense true. It makes no difference to immediate employment whether savings are spent upon new capital equipment—additions to the stock of factories, machines, raw materials, and so on—or whether they

are spent upon consumption. So long as the saver gets interest upon the money he has lent at the rate agreed, he is not directly concerned about what the borrower does with the money; and the expenditure may be assumed to employ an equal number of men whether it is on additions to productive capacity or not. The ultimate results for the productivity of labor and the well-being of society are by no means the same. The one process should yield a rising standard of living and the other a stationary one. For that reason consumption loans have always been frowned upon both by moralists and economists.

Increased Taxes and Debt

SIR WILLIAM, none the less, includes in his plan proposals that the State should borrow the supposed unspent savings which are alleged to cause unemployment, and should spend a part at least upon subsidizing current consumption. The consequence of such a policy is an increase in the national debt without the State possessing permanent assets of an equal amount. That, in its turn, means increased taxation to meet the interest on the debt. Sir William regards this as a good thing, because it will avoid "increasing the numbers and wealth of rentiers, that is to say of people with legal claims against the community entitling them to live at the cost of the community." Alternatively, he hopes that the State will be able to manipulate the rate of interest upon its borrowing, so that it becomes continually lower and ultimately becomes infinitesimal. Either method will, it is said, bring about what Keynes calls the "euthanasia of the rentier," although it is a little difficult to understand why the rentiers should consent to lend their money to the State for nothing, or why they should invest in Government stocks if they know that the State is going to tax away all the income.

Building Pyramids

NOW WE COME to the fourth proposition: that any spending which gives employment will in turn give rise to more employment, because the wages paid will be spent and set up a demand for other labor. He adopts in its entirety the paradox of Keynes that we can attain prosperity by building pyramids. "It is better to employ people on digging holes and filling them up again than not to employ them at all; those who are taken into useless employment will, by what they earn and spend, give useful employment to others."

Or, to take another example which Sir William gives in all seriousness, exports may be advantageously given away by a country suffering from unemployment because the wages paid to the persons making them set up an internal demand for other labor, "so that the exports, even though they are themselves given away, may increase the production of useful things and add to prosperity at home."

It is well known that governments have, from time to time, subsidized exports (and home production also). These practices, which used to be universally condemned by economists, have suddenly become praiseworthy. The only mistake these governments made would seem to be that they did not do these things upon a sufficiently large scale—for it now appears that the more wasteful you are the more prosperous you become!

The "Multiplier"

SIR WILLIAM does not attempt to provide a proof of the so-called "multiplier effect." He merely asserts that "so long as there are any unemployed men in a community, employing one of the unemployed for wages will increase the number employed by more than one and will add to the National output more than what he himself produces." He adds that in the conditions which prevailed in Great Britain in 1938 "it can be assumed that setting to work one of those who were

then unemployed would have led on an average to employment and wages for another man." The words we have italicized should surely give any intelligent person food for thought. Is it any more possible in the economic world than in the physical world to draw a quart out of a pint pot?

Indeed the proposition can be put to an easy test. Let us suppose that one unemployed man is placed upon a plot of unused land from which he can make his food and clothing, without exchanging with anyone else. Clearly putting him into employment does not put anyone else into employment. It may be said that this is an impossible illustration: no man under modern conditions can make for himself all he needs. But that does not disprove the illustration, it merely brings to notice the fact that the productivity of labor is enormously increased by specialization or the "division of labor" as Adam Smith called it. Suppose, if it is more convincing, that a million unemployed men of all the diverse occupations needed are set to work on unused natural resources in a community in which by specialization and mutual exchange they satisfy all their own wants, will the fact that they have done so set another million unemployed men to work? Obviously not.

In default of any proof of his own Sir William again relies upon the authority of Keynes' *General Theory*. The proof of the "multiplier principle" is presented by Keynes in a mathematical guise. On that account a formal disproof of his argument would be too long and tedious for this essay. It may suffice to mention that among other assumptions it postulates that, if the total national income remains constant, the proportions devoted to consumption and to saving must also remain constant. This is manifestly untrue.

Inflation Inevitable

DESPITE THE SUGGESTION that the proposals made in this book amount to nothing more than putting idle money into circu-

lation, their real nature seems to be a continuous process of inflation. That this is so is evidenced by Sir William's concern about the effects of his policy upon wages, prices and international trade—the three fields in which the effects of inflation show themselves most notably. He says: "Adoption by the State of a price policy is a natural and probably inevitable consequence of a full employment policy. . . . One of the first and most obvious signs that total outlay was tending to be excessive in relation to the production resources available would be a rapid rise of prices." By a "price policy" Sir William means price control, or fixation of prices by the State. The passages quoted make it clear that the plans which he advocates will result in inflation, and that rather than abandon them the State will have to regulate both wages and prices. It is, therefore, also clear that the economy will not be a free one, and that the ideal of a free society is not attainable within the plan which he outlines. The ultimate result must be that fixation of prices and wage rates will depend upon the political pressure which can be exerted by the interests concerned, whether manufacturers or trade unions. In this process the smaller and weaker interests will inevitably go to the wall; the advantage of the stronger interests will be secured at the expense of the small businesses and the independent or less well-organized workers. In the end the society will tend to become more and more corporative or totalitarian, and the weak will be systematically exploited by the strong.

No Free Trade

THE SAME INFERENCES can be drawn from Sir William's observations upon international trade and in particular his contention that multilateral trading is not possible unless each country adopts the kind of internal policy which he proposes for Britain. That assertion means in practice that freedom of world trade can never be restored, and that the produc-

tivity of labor will continue to be hampered by all the restrictions and disabilities to which we shall presently refer in more detail.

He says that "the virtue of international trade is that it saves labor." It would be better to say that international trade, like all trade or exchange, is a means of getting greater satisfaction for the same amount of labor. He then adds, quite inconsequently, that "it would be senseless to save labor through international trade only to waste labor in unemployment." It would be as sensible to say that it is impolitic to increase production by any kind of labor-saving device while labor is wasted by unemployment. This statement betrays a basic misconception of the problem and of its solution. In theory, at least, a solution of the problem of unemployment can be found by using more labor to attain any particular end—by refusing the advantages of natural resources, climate and talent which are made available to us by international trade, or by refusing the advantages of invention, using the spade instead of the plough, muscle instead of machinery. But that is not the solution which is required. What is needed is the opportunity of all men to produce with all the advantages which invention, the division of labor, and mutual exchange can give them.

The bias of Sir William's mind is revealed when he says: "The whole trend of the argument . . . is toward a management of international trade, in place of leaving it to unregulated competition. That is to say, it is toward that for which the cartels stand. To attempt to destroy or stop cartelization would therefore be a contradiction of policy." Certainly it would be a contradiction of the policy for which he stands and which is in its essence opposed to any kind of freedom whatsoever. The puzzle is how one who has abandoned all idea of freedom of trade and who espouses all forms of con-

striction and monopoly has been hailed by Liberals as a new leader of the Liberal Party.

He has fallen to the same puerile level of thought as the protectionists. Exports are a means by which a country can export its unemployment to other countries. Imports are a means by which unemployment is imported from other countries. These are in fact, if not in form, the slogans by which the Tariff Reformers sought to persuade us that tariffs would make work for all. They are the arguments of selfish nationalism, opposed to the whole conception of a world of free men, free to trade with one another irrespective of allegiance or national boundaries. They are the arguments which set nation against nation and open up the vista of permanent antagonism and war without end.

Results of Inflation

ALTHOUGH HE SKILLFULLY AVOIDS the cruder expressions of those who think that men can be made more prosperous by simply increasing the amount of money in circulation, it seems to be inevitable that the policy of spending ourselves into prosperity must involve inflation. What are the consequences of inflation? It means an increase in the money price of consumable goods, raw materials, machinery, plant, land and other tangible objects. It means, therefore, that those who own such things become better off in terms of money than they were before. In the course of time, as the consumable goods, raw materials, and produced means of production wear out or are consumed, they have to be replaced by articles produced and purchased at the new level of prices. These adjustments take more or less time in each particular case, according to the period which must elapse before the existing stock is replaced. Those who own the most durable goods will tend to gain most. Those who own the least durable goods will gain least, or may actually lose, because they are

obliged to sell their stocks before the full effect of inflation and to replenish them when prices have risen still higher. Owners of land gain most of all because land does not require to be reproduced and has no cost of production. Wage workers, as a rule, lose most. Thus inflation results in a transfer of wealth in which those who have most are likely to gain most, and those who have least to lose most.

But there is another consequence of inflation which is often overlooked. The rise in the price of finished goods will make certain processes of production appear to be profitable which were not profitable before. There will, therefore, be a tendency to embark capital upon them which it would not have been profitable to invest previously. However, it is almost certain that when the whole series of readjustments has been carried out, the general rise in costs will make this altered investment of capital unprofitable. The economy as a whole will be less productive than it was before the inflation took place. This will lead either to lowered earnings or to unemployment.

Planning or Freedom

WHAT MAY, PERHAPS, STRIKE the reader as remarkable in this book is that, although unemployment is alleged to be due to lack of spending of funds which are available to be spent, no proposal is made for eliminating the cause (if there is one) of this condition. On the contrary, the whole tenor of the book is that this is inevitable, and that the State must step in to correct it. And, apparently the State must continue to do so until, perhaps, the weight of taxation upon everyone (and the euthanasia of the rentier) has made it impossible for any individual to save, and has thereby made impossible any gap between saving and investment.

It seems that Sir William himself has no confidence in the foundation of his argument nor in the success of the measures

he proposes. For after stating that "full employment is in fact attainable while leaving the conduct of industry in the main to private enterprise," he adds: "But if, contrary to this view, it should be shown by experience or by argument that abolition of private property in the means of production was necessary for full employment, this abolition would have to be undertaken."

In fact the book wavers between two points of view. There runs through it the idea that our troubles are due to this being an "unplanned society." But planning implies constraint; how, then, can we have a "free society"? Sir William struggles valiantly against this dilemma. First of all, he confines economic liberty to "freedom in choice of occupation; and freedom in the management of personal income." But can there be freedom in either of these fields under this regime? As to income, his own diagnosis imputes most of our troubles to this very fact of freedom in the management of personal income. So he is driven to the paltry device of saying that if people are dissatisfied with the managers of their economy they can change them at the ballot box, subject always to the proviso that "there must be reasonable continuity of economic policy in spite of such changes of government."

His list of essential liberties "does not include liberty of a private citizen to own means of production and to employ other citizens in operating them at a wage." Whether it is an essential liberty to own means of production which the owners themselves operate individually or collectively does not appear. At any rate, a careful perusal of this book will show that liberty in economic matters is hedged about with all kinds of qualifications and restrictions. The society of Sir William Beveridge is very far from being a free society, so far as concerns economic activity. Upon which the question arises very insistently, how far will or can it be a free society in all other matters? Is all the teaching of generations of

liberal (and socialist) thought about the basic importance of economic freedom, for itself and in relation to all other freedoms, now thrown on the scrap heap?

Unemployment and Monopoly

ALL THIS COMES from failure of correct economic diagnosis. There is throughout this work no recognition that land is as much a factor of production as labor. Some perfunctory references to town and country planning occur, but that is all. The basic question of land and its rent is passed by, and of how the privileged ownership of natural resources, strengthened in many cases by protectionist and restrictive devices of many kinds, is the foundation of all monopoly. No serious attention is paid to deliberate curtailment of production for the sake of monopoly profits as a cause of unemployment.

The steady growth of monopoly between the two wars is one of the outstanding features of modern economic history. It has been fostered and assisted, consciously or unconsciously, by Government policy. Protective tariffs have been raised in many cases to several times the level of 1914, and applied to many more articles. But protection, pure and simple, has by no means been the greatest evil. It has been supplemented by quotas, marketing schemes, bilateral trade agreements, currency manipulation, blocked clearings and many other devices. These facts have been soberly depicted in publications of the League of Nations and writers of repute.

The burden of taxation upon commodities, upon houses, upon trade and production, has become far heavier than ever before, while monopoly, and especially the rent of land, has escaped. All of this is virtually ignored by Sir William although the fact stares him in the face that unemployment rose during this period to two or three times what it had averaged prior to 1914.

The world has been suffering from State intervention and

restriction, of which the instigators may have been the relatively small body of privileged persons who have benefited by it, but which could never have been brought about without the lack of fundamental thought in economic affairs which this book so well exemplifies.

The Field for State Intervention

THE BEVERIDGE PLAN is based upon a false diagnosis. It is supported by fallacious economic arguments. It does not achieve what it sets out to do, either in the way of securing the fullest and most profitable use of land and labor (the ultimate agents of production) or in the way of preserving freedom. On the contrary, it will lead to an uneconomical use of land and labor with constantly growing interferences with economic freedom, in the endeavor to avoid the consequential ills of this wrong policy. So, in the end, it is likely to cause the loss of both prosperity and freedom.

It fails because it is not radical enough. There is a field for State action in economic matters, but it is not in the direction of attempting to cure the results of restriction by more restriction. Its true field is in destroying the privileges which allow a small minority to grow wealthy by restricting production, and thereby condemning many to involuntary idleness and many others to starvation wages. There is also a field of benevolence and assistance for those who, through accidents which they cannot control, are the victims of unemployment and other ills. But let not public charity be regarded as a substitute for social justice. The first duty of the State is prevention. It must seek out the causes of social evils and destroy them.

Cause and Cure

A PRACTICAL PROGRAM of social reform must aim not merely at the abolition of unemployment, but also at the largest production and fairest distribution of wealth. Such a program

must start from a realization that the primary means of producing wealth are land and labor. If there is valuable land unemployed, then there will be either unemployed or else underpaid labor. Nothing which leaves our land system as it is can avoid these consequences. The essential wrong in the land system is not merely that it allows owners of land to leave their land unused or badly used, but that it positively encourages this by imposing heavy taxation upon the use of land while relieving of taxation land which is unused or inadequately used. At the same time it allows the owners of land to appropriate the publicly created value attaching to it, and obliges the State to confiscate private earnings for public revenue.

These considerations point out the first step in social reform: to relieve productive effort of taxation and to take the social value of land for State and municipal revenues. An immediately practicable policy would, therefore, aim at the following changes: (1) taxing site values in place of the present taxation system. This would relieve houses and other buildings and improvements of taxes while discouraging the holding of valuable land out of use and so causing it to be offered at a more reasonable price. The easement so given to dealing with the shortage of houses, our most pressing post-war problem, would be immense. (2) Removal of protective tariffs and of taxes on food, and raising the necessary revenue by a tax on land values. This and the previous proposal would mean a large increase in real wages. It would encourage the international trade which is so important to the economic life of the country and increase the productivity of our industries. (3) Abolition of quotas and other restrictions upon trade and production, thereby removing potent causes of monopoly and restriction of production and providing a larger field for the productive employment of labor. (4) As an essential aid to the conduct of trade at home and abroad

the establishment of a stable monetary system, preferably upon a basis adopted by as many other countries as possible so as to avoid arbitrary variations in the rate of exchange between our money and that of other countries.

This program is simple and self-consistent. It can be carried out by stages. Every step in it will make the next step easier. It gives rise to no secondary ill-effects. It involves no vast change in the economic structure, but it sets men free to realize their economic desires without injury to their fellow men. It is the cornerstone of a free society which will ensure both full employment and full production.

Conclusion

ALTHOUGH THE POLICY of Sir William Beveridge is impotent to get rid of unemployment and although its economic consequences may easily be disastrous, there are in it even more serious implications for the well-being of mankind. Despite the lip service which he pays to the ideal of a free society, the tendency of his work is all against that. Men are not to be allowed to seek what employment they wish; they must not be permitted to become "irregular and undisciplined"; they must not ask what price they please for their labor or the products of their labor; wages and prices must be fixed. They are not to be trusted to spend their incomes as they will; there can be no "indiscriminate outlay"; the citizen must buy what the State thinks good for him. Under such conditions democracy ceases to exist. Decisions upon such matters cannot be made at the ballot box; they must of necessity be made by a bureaucracy, and such a bureaucracy in its nature is self-perpetuating and can be ousted by nothing short of revolution.

The history of civilization is of a gradual emancipation of men from many kinds of bondage, from actual slavery or serfdom, from tyranny and arbitrary power, from the fetters

of outworn customs, from the dogma of the priest. It has been a slow progress and there have been many setbacks, but the general direction is plain. Those epochs in human history which we most admire are those in which men were most free. It is the activities of free men that have given us what we most value.

The evil influences which menace the world are those which would destroy freedom. If we are to avoid relapsing into another dark age, we must cherish what freedom now exists and nourish and expand it. A free society must be our first objective and out of that will come the freedom to employ ourselves as we will.†

London

† [Mr. Douglas's essay, as first published by Staples & Staples, Ltd., London, was received and accepted prior to his resignation from Parliament and his acceptance of a non-political administrative appointment from the crown.—EDITOR].

"All That Glisters Is Not Gold":

A Devaluation of the Elizabethan Age, II

By OSCAR SHERWIN

III

The Rogue³²

*Hark! bark! the dogs do bark,
The beggars are come to town,
Some in jags, and some in rags,
And some in velvet gowns.*

AN OLD NURSERY RHYME

*From hunger and cold who lives more free,
Or who more richly clad than we?
Our bellies are full, our flesh is warm,
And against pride our rags are a charm.
Enough is our feast, and for tomorrow
Let rich men care, we feel no sorrow,
No sorrow, no sorrow, no sorrow, no sorrow,
Let rich men care, we feel no sorrow.*

RICHARD BROME

LONDON SWARMED with beggars; thieves abounded everywhere. The miserable wretches who had been turned out of their holdings and driven off their commons wandered forth they knew not where, gravitating to the cities where they were classed as deserving poor, licensed beggars, or rogues and vagabonds. They haunted the stews of London.

Enclosures were an important cause for poverty and vagabondage. But discharged soldiers, poor servants swelled the ranks. These with wild rogues, or men born in the profession, and young shifting gentlemen, formed the backbone of the ragged army. They were feared by gentry and common people alike. Again dissolution of the monasteries brought additional recruits. Decayed clerics and monastic retainers—valets, bakers, brewers, butlers, laundry workers, cellarers, gardeners, and the rest of the army that waited on the monks—thronged the roads and turned to a calling of deceit.

³² For the Rogue see Frank Aydelotte, "Elizabethan Rogues and Vagabonds," Oxford, 1913; Frank W. Chandler, "The Literature of Roguery," Vol. I, New York, 1902; and A. V. Judges, editor, "The Elizabethan Underworld," London, 1930.

Measures dealing with the effects of enclosures—relief of the poor, provision for beggars, punishment of rogues and vagabonds—vied with measures controlling enclosures in governmental statutes. The law of 1572 fixed penalties on both beggars and relievers of beggars. A beggar convicted was to be whipped and burnt through the gristle of the right ear with a hot iron. For the second offense he suffered as a felon; for the third, he suffered death.³³ In 1597 the previous law was overhauled. Beggars were not to beg in their own parishes for food, and soldiers and sailors not regularly licensed were declared rogues and vagabonds. Vagrants were to be whipped and returned to the jails or house of correction in their own parish. Dangerous rogues were to be banished and on their return to suffer death. Parliament modified the existing laws in 1601 to give them the form they kept in England until 1835. A house of correction was installed in each county. Men who left their families on the parish should suffer as incorrigible rogues. The offender was branded on the left shoulder with a great Roman R. For the second offense he was to suffer as a felon without benefit of clergy.³⁴

One conclusion is evident from these acts. Vagrants were treated as enemies of the community. They were of a class; they were feared, detested, pounced upon, scourged and pilloried; they were often ruthlessly destroyed—and still they came tramping singly or in groups, sneaking into barns or hovels, or swelling the ranks of the criminal classes of London.

Broadly speaking, theft involved hanging. Provided he had not committed robbery from a person, from a person's premises, or by menacings on the highway, a felon might plead benefit of clergy. In the second case, the value of the objects stolen might be computed at less than 12*d*, and the offense would then be petty larceny which merited a whipping

³³ 14 Eliz. cap. 5, Vol. IV, Part I, pp. 590-8 in "The Statutes of the Realm," 11 vols., London, 1819; Prothero, *op. cit.*, pp. 68, 100-2.

³⁴ 7 James I, cap. 4, "The Statutes of the Realm," Vol. IV, Part II, pp. 1159-61.

or the pillory or stocks, or all of these combined. But juries generally were not warmhearted and often hanged that they might dine. Harlots and their mates were punished by carting and ducking, carriers of sheep out of the land by loss of their hands. In "The Honest Whore" Dekker says:

Many lose their lives
For scarce so much coin as will hide their palm:
Which is most cruel. Those have vexed spirits
That pursue lives.³⁵

Dekker's imagination made him one with the outcasts and scum of the earth. He described rogues and vagabonds in their lairs and hovels. He saw beggars in tattered coats, hungry paupers dragged to the whipping post, sturdy rogues led to their hanging. And there were sorrow and bitterness in his remarks. Shortly after Shakespeare was saying that all the world's a stage, Dekker was saying all the world's a prison. The punishments meted out to criminals are in Dekker's pages strikingly portrayed: the thief that dies at Tyburn for robbery,³⁶ the Beadles of Hell that whip souls in Lucifer's Bridewell,³⁷ the ragged soldier whose doom is the halter and whipping post,³⁸ the prisoner who has to stay in jail because of fees to his keepers (whereupon he railed at them, called them blood-hounds, blood-suckers, hell-hounds, and such other ungodly names, but one standing by, counselled him to hold his tongue and not to spit his venom against men that are in place, for, said he, keepers of prisons are as good men as the best, where they take)³⁹ and the malefactors tortured on the German wheel.⁴⁰ In "Work for Armorers" Poverty with bag and baggage is banished to the suburbs to

³⁵ "The Honest Whore," Part I, "The Dramatic Works of Thomas Dekker," 4 vols., London, 1873, II, 24.

³⁶ "Seven Deadly Sins," "Non-Dramatic Works," II, 27.

³⁷ "News from Hell," *Ibid.*, II, 127.

³⁸ "Dekker His Dream," *Ibid.*, III, 45.

³⁹ "Jests to Make You Merry," *Ibid.*, II, 290.

⁴⁰ "The Dead Term," *Ibid.*, IV, 11.

die—sunken-eyed wretches perishing under the walls of the city.⁴¹ In "Old Fortunatus" miserable men, who have stolen into a debt of £10 are led straightway to execution.⁴²

"My noble hearts, my old weather beaten fellows and brave English spirits," says the Speaker in "The Belman of London"⁴³ to his regiment of rogues and villains:

I am to give you that which all the land knows you justly deserve—a roguish commendation—and you shall have it. . . . To be a beggar is to be a brave man because 'tis now in fashion for every brave man to beg. What though there be statutes to burn us i' the ears for rogues? to singe us i' the hand for pilferers? to whip us at posts for being beggars, and to shackle our heels i' the stocks for being idle vagabonds? What of this? Are there not other statutes more sharp than these to punish the rest of the subjects that scorn to be our companions? What though a prat-constable or a red-nosed beadle says to one of us, "Sirrah, Goodman rogue, if I served you well, I should see you whipped through the town?" Alas! Alas! Silly animals! If all men should have that which they deserve, we should do nothing but play the executioners and tormentors one of another.

A number of tailors would be damned for keeping a hell under their shop board; all the brokers would make their wills at Tyburn, if the searching for stolen goods which they have received should like a plague but once come amongst them. Yea, if all were served in their right kind, two parts of the land should be whipped at Bridewell for lechery, and three parts at least be set i' the stocks for drunkenness. The life of a beggar is the life of a soldier: he suffers hunger and cold in winter, and heat and thirst in summer; he goes lousy; he goes lame, he's not regarded, he's not rewarded. Here only shines his glory: the whole kingdom is but his walk, a whole city is but his parish, in every man's kitchen is his meat dressed, in every man's cellar lies his beer, and the best men's purses keep a penny for him to spend.

⁴¹ "Work for Armorers," *Ibid.*, IV, 85-167.

⁴² "Dramatic Works of Thomas Dekker," I, 100.

⁴³ Dekker's "The Belman of London" and "Lanthorn and Candlelight," are unblushing plagiarisms from Thomas Harman's "Caveat for Cursitors" (Harman has been dubbed the "Hakluyt of Roguery"), John Awdeley's "Fraternity for Vagabonds," and Greene's connycatching pamphlet literature. But Dekker had the wonderful knack of weaving the small parings of other men's wit into an effective pattern. As Miss Mary L. Hunt says, if Dekker used Harman he showed modesty and discretion, for he omitted many stories, supplied a picturesque framework, amplified the definitions, and added others (Hunt, *op. cit.*, pp. 136-7).

Since then the profession is ancient (as having been from the beginning) and so general that all sorts of people make it their last refuge: Since a number of artificers maintain their houses by it. Since we and many a thousand more live merrily with it—let us my brave tawny faces not give up our patched cloaks, nor change our copies, but as we came beggars out of our mothers' bellies, so resolve and set up your staves upon this, to return like beggars into the bowels of the earth. *Dixi.*⁴⁴

IV

The Plague⁴⁵

*A plague's a purge to cleanse a city . . .
The medicine for a riotous land.*

A MEMORABLE YEAR for England was 1603, more wonderful than '88 when the Spanish Armada came sailing to the coasts and men's hearts were made colder than the frozen zone when they heard but an inkling of it. In the midst of the "felicity" of spring, Queen Elizabeth died and during the summer following, London was swept by the plague in which her subjects followed in a death march for twelve months long to the number of 35,104.

The ghastly visages were a sight enough to shake with terror even "marble bosoms" and melt into compassion hearts of adamant.

Dekker in "The Wonderful Year"⁴⁶ pictures the worldly miser who, driven from every door, must dig his son's grave in his own orchard or in the proud walks of his garden. Fear and trembling arrest everyone. The plague is marshal of the field and the army: dumpish mourners, merry sextons,

⁴⁴ "Non-Dramatic Works of Thomas Dekker," III, 88-90.

⁴⁵ For "The Plague" see Thomas Dekker, "The Plague Pamphlets of Thomas Dekker," ed. by Frank P. Wilson, Oxford, 1925; Frank P. Wilson, "The Plague in Shakespeare's London," Oxford, 1927; George Wither, "Britain's Remembrancer," Printed for the Spenser Society, 1880; and George Wither, "The History of the Pestilence," ed. by J. Milton French, Cambridge, Mass., 1932.

⁴⁶ As Ernest A. Baker in effect states ("The History of the English Novel," London, 1929, II, 209-20): Perhaps Defoe borrowed ideas from Dekker's description of houses packed with the dying, streets full of coffins and death carts, pits heaped with putrefying carcasses, and the horror and panic of the inhabitants. But the resemblances are not so many as the contrasts. Dekker attempts no history of the plague, but paints a few gruesome pictures and tells some grisly comic anecdotes. Anyway a better idea of contemporary life will be found in Dekker than in your stately historian.

hungry coffin fellows, scribbling bearers, and nasty grave-makers. Panic-stricken Londoners take to their heels. Away they trudge, thick and three fold, some riding, some on foot, some without boots, some in their slippers, by water and by land—in hackneys, wagons, on horses, in coaches, with watermen. Houses are rifled, streets ransacked. Every house looks like St. Bartholomew's Hospital. Husbands, wives, and children are led as ordinarily to one grave as if they have gone to one bed. And those that can shift for a time go muffled up and down with rue and wormwood stuffed in their ears and nostrils, looking like so many boars' heads stuck with branches of rosemary to be served up for brawn for Christmas.

In fields, in ditches, in common cages and under stalls (being thrust there by cruel masters out of doors and wanting all worldly help), the wretches perish. "How sudden a stabber this ruffianly swaggerer Death is."

The houses of London were low roofed and built of wood. Streets were narrow and stories overhung so that in many lanes and alleys the tops of houses almost met. This propinquity encouraged gossip but darkened the streets and revealed a narrow slit of sky. Distinguished foreigners thought the London houses very handsome and the streets clean, but distinguished foreigners were sheperded in the better quarters of the city. Tenements housed families of the poor who were herded into small and dirty rooms. The suburbs were notorious for poverty and disease, the haunt of vice and the breeding place of the plague.

It was the duty of the citizens to keep the streets clean. Mud and filth were to be swept together in heaps and pavements were to be kept in good repair. Simon Eyre made his servants get up betimes to clean his walks and to "sweep me these kennels that the noisome stench offend not the nose of my neighbors."⁴⁷ But the other citizens ignored the rules of

⁴⁷ "The Shoemakers' Holiday," *"Dramatic Works of Thomas Dekker,"* I, 19.

the magistrates. The streets were receptacles for all sorts of rubbish—dung, guts, and entrails thrown into the channels by tripe wives, blood let by the barber surgeons, etc. Slaughter houses were in the heart of the city. Kites and ravens were protected birds and grew fat on the offal of the streets. The kites were so tame, in fact, that they often snatched bread and butter out of the hands of little children.

The ditch around the city wall was foul and dangerous. Dekker wrote in 1606 that the River Acheron was almost as poisonous and stank almost as bad as Moorditch. During plague time, fires were burnt in the streets of the city; in 1603 pitch bonfires were lit twice a week.

There were numerous ratcatchers in London and their cry added to the gaiety of the streets. "Rats or mice! Ha' ye any rats, mice, polecats, or weasels? Or ha' ye any old sows sick of the measles? I can kill them, and I can kill moles, and can kill vermin that creepeth up and creepeth down and peepeth into holes." But it was ironical that in the time of the plague the attention of the authorities was devoted to the slaughter of the rats' enemy. The dogkiller lived in clover while the ratcatcher was ignored. In 1606 all dogs without exception were ordered to be sent out of the city or killed. Many parishes supported a dogkiller of their own. And the dogs were left unburied in the fields.

Burial regulations prohibited the gathering of crowds at funerals, fixed the hours of interment, and attempted to limit the fees of profiteering sextons and bearers. The infected corpse, whether rich or poor, was to be taken straight from its home to a grave without going to church. No more than six, excluding the minister, clerk, and bearers, were to follow any dead corpse. Severe punishment was meted out for any infringement of this rule. The sexton of St. Giles, who allowed an infected corpse to remain in church for a whole night without burial, was set in the stocks for four hours with a paper on his head declaring his offense.

Yet at the height of the infection in 1603 crowds followed the dead to the grave and the street was strewn with flowers at the burial of a maid and with rosemary at the burial of a bachelor.

To avoid crowds burials were held at night when the streets were empty. Besides, the rule to bury only from six in the morning until six in the evening was enacted so that bodies might not be stolen forth for burial in the dark and the existence of infection in the house concealed.

Coffins were rare and expensive. Most corpses were covered with a winding sheet and flung without burial rites into pest pits. In 1625 forty or fifty were piled in each pit.

Lord! What a sight was there! and what strong smells
 Ascended from among Death's loathsome cells. . . .
 Yon lay a heap of skulls; another there;
 Here, half unburied, did a corpse appear. . . .
 A lock of woman's hair, a dead man's face
 Uncovered; and a ghastly sight it was.⁴⁸

To see 23,000 men in armor in the field, wrote Dekker, is a goodly sight, but if we beheld 23,000 coffins piled in heaps one upon another, or 23,000 corpses in their winding sheets, whose heart would not throb with horror?

Graves had to be at least three feet deep and six feet long, but the order was broken again and again. Bearers used a cart or barrow and were obliged to carry a red wand when they went abroad. They gave notice of their approach by ringing a bell and by crying, "Cast out your dead," or "Have you any dead bodies to bury?"

No music now is heard but bells. . . .
 And every stroke the bell does toll
 Up to heaven, it winds a soul.⁴⁹

The bearers owed their unpopularity to the callous and brutal manner in which they performed their office. Dekker

⁴⁸ George Wither, "Britain's Remembrancer," Canto IV, p. 116.

⁴⁹ "Plague Pamphlets of Thomas Dekker," p. 94.

called them "nasty" and "slovenly." They were given a weekly wage by the parish in which they were employed.

The sale of unsound food—musty and unwholesome corn, unsound cattle, tainted fish and mussels—was forbidden during the plague. Bearbaitings, theatrical entertainments, dancing and bowling, buckler play and ballad singing were sternly put down by the authorities, and apprentices were not permitted to enjoy "the outrageous play at the football" in the streets of London.

Infected houses were shut up by the constable and the doors marked with a special mark for twenty-eight days. Those who went abroad with a sore were to be judged as felons and suffer the pains of death; if without a sore they were to be judged as vagabonds and be whipped and set in the stocks. Houses were marked with a Red Cross and the inscription, "Lord Have Mercy Upon Us." The device was not invented by the privy council but borrowed from the continent. In 1578 an inscription composed of a red circle enclosing the following legend superseded the cross as symbol of the visitation of the plague:

LORD HAVE
MERCY UPON
Us

But in 1593 the authorities reverted to the Red Cross.

Two examiners were appointed in each parish to discover infected houses and to supervise health work against the plague. They carried a red wand in their hands when they went forth. Those who refused the office were imprisoned. Two women also in each parish were appointed to be searchers of the dying and viewers of the sick. They were not usually honest, discreet, or sober, for the jobs were given to old hags. Nurses in each parish were to wait on the inhabitants of infected houses and nurse the sick. Dekker wrote bitterly

about their inordinate appetites and excessive charges, calling them she wolves and night crows. He accused them of pilfering. "They are called keepers because whatsoever they get hold of, they keep it with gripping paws never to let it go. . . . Rats are not such gnawers of linen, nor moths of woolen, as these are of both." But Dekker is careful to distinguish between those keepers who were motherly, skilful and compassionate women, and those who were "the spoil, ruin, and confusion of many a poor servant's life. Many a child hath been made fatherless by them, many a mother childless. May they repent and amend."⁵⁰

Warders carrying halberds were to watch each infected house from six to nine and see that no one went in or out. They neglected their duties as their wages were only 6*d.* a day. Later they watched by night as well as by day. They acted as purveyors of necessities, and before departing on errands, locked up the house and pocketed the key.

Elizabethan London was seldom quite free of the plague. James's accession caused an influx of visitors to London and the bills of mortality rose. The infection attracted little or no attention before the end of April. But it was aided by the crowds and the hot weather. All public meetings, feasts, assemblies were abandoned. James's triumphant progress through the streets was postponed.

The town was deserted and grass grew in Cheapside. Those who were forced to go out of doors walked near the channel in the midst of the street, chewing orange peel or angelica root or smoking tobacco. Even the nostrils of coach horses were stopped with herbgrace.

The infected were suffered to die. From many houses was heard the groaning of sick persons or the wailing of mourners, while above all was the continual tolling of the bells. Fever-

⁵⁰ "English Villainies," Chap. XV, quoted in F. P. Wilson, "The Plague in Shakespeare's London," pp. 67-8.

maddened wretches ran from house to house infecting others. Some hurled themselves out of windows or drowned themselves in the Thames. Others drowned their fear of the terrible foe in drink and riotous living.

Death attacked the suburbs before it invaded the city itself. "Death," wrote Dekker, "hath pitched his tents . . . in the sinfully polluted suburbs." Aldermen and justices ran away from "the token'd pestilence, where death is sure." They all fled, jeered Dekker, "crying out only, Put your trust in God my bullies and not in us."⁵¹ Physicians and surgeons fled the deserted city. Impostors and quacks, beggars and tinkers, sprang up to take their places, having at their command potable gold, the natural balsamum, the philosopher's stone, dissolved pearl and all the riches of art and nature. Advertisements were pasted on every post promising miracles. The rich left money to be distributed to the poor, but others fled without giving thought to the misery and want of those they were abandoning.

There were 43,154 deaths, of which 35,104 were from the plague. The population of London and its outskirts was about 250,000, so that one-sixth of the population perished in one year.⁵² The plague lost its virulence with the approach of cold weather. By December the rich runaways were returning and within one year christenings regained their customary number.

The plague was a poor man's disease and flourished in unsanitary alleys and in the swarming rat-ridden tenements,

⁵¹ "Plague Pamphlets of Thomas Dekker," pp. 31, 32, 71.

⁵² In none of the years from 1603-1624 was the city entirely clear of the plague. But in none was the plague serious enough to cause a recurrence of the scenes of 1603:

| Deaths from the Plague | | | |
|------------------------|------|------|------|
| 1604 | 896 | 1608 | 2262 |
| 1605 | 444 | 1609 | 4240 |
| 1606 | 2124 | 1610 | 1803 |
| 1607 | 2352 | 1611 | 627 |

From 1613 to 1624 the city was extraordinarily free. But in 1625 the drums of death beat up anew. In this year 41,313 inhabitants died from the disease.

amongst the ill-fed, ill-clothed, and ill-housed. It was exceptional to find a victim of mark and memory.

The fine imaginings critics proclaimed so loudly they themselves believed. The literature of calm, sunshine, and content was a protective and misleading coloration.

College of the City of New York

Solidarity Among the Amish

By PATRICK T. QUINLAN

THE FAILURE of some farmers might at times be attributed to their individuality. They are convinced that they can "go it alone." We are, however, social beings and should live with our neighbors, be an aid to them and receive aid in return when this is found to be necessary. Those who hope to settle on the land either as farmers or homesteaders might keep this fact in mind from the very start. A very practical lesson might be learned from a group of people, the Amish, who believe firmly in rural solidarity.

Colonies of Amish people are to be found in Holmes, Stark and Geauga Counties in Ohio, in Mifflin and Lancaster Counties in Pennsylvania; in various counties in the States of Delaware, Maryland, Indiana, Illinois, Iowa, Wisconsin and as far west as Oregon.

Their territories might be readily recognized by their fertile fields and fruitful orchards. Their means of transportation is slow, for they use the horse and wagon, but they do not seem to have had any regrets that they have not emerged from "the horse and buggy days." The traveler will easily recognize their homes for they are large and roomy and painted an immaculate white. Their barns are likewise large and roomy and painted red. The latter bulge with products of the fields and house numerous, well-fed cattle.

It is not difficult to distinguish their men from other men for they are almost always bearded. Their women are dressed neatly and modestly in garments of plain colors. They are a separate though not a clannish group. Their segregation and difficult approach is rather a weapon of self-defense against a contamination which might follow too many con-

tacts with the outside world than a spirit of aloofness from their fellowmen. They are characterized by a tremendous respect for established authorities, be they parental, ecclesiastical or civil. The merchants hold them in high esteem because of their honesty and thrift, and they love to deal with them. They are a people apart and a blessing to the nation.

The Amish have chosen agriculture as their vocation and they would not change it for any other. As they have busied themselves by tilling the soil for generations they have formed solid traditions and they have demonstrated in advance that the principles now being advocated by the rural life movement are indeed sound in theory and can be put into practice with proper leadership. The Amish people do not believe in large scale or corporation farming. They advocate the family farm. Neither do they believe in one-crop farming. They practice diversification and rotation of crops to preserve the soil. They abhor the actions of those who mine the soil and in so doing leave the land desolate. They teach the youth that the land must be handed down by the elders to their children and their children's children more fruitful and productive than when it was received.

They refuse to make use of high-powered machinery such as tractors for they know that these, in the final analysis, have at times been productive of dust bowls rather than of bumper crops. They encourage large families and they frown upon divorce which leaves children unacquainted with their parents. They have learned from experience that the rural child is an asset to the home and they feel that, being raised close to the Lord's acres, they are brought up near to God. When children are old enough to form a home of their own, matters are so arranged that they too will follow the traditions of their fathers and settle on a farm. This new unit does not settle in some distant territory without contact with an-

cestral fields. It either takes up part of the original homestead or acquires acres at a fair price from a non-Amish neighbor. They pay well for the newly purchased land, for to them it has not only the ordinary value but the added value of continued solidarity of an industrious people.

The Amish are looked upon by many who do not know them as a strange people, and this perhaps because of the beards of the men and their slow means of transportation according to modern standards.

Many leaders of our enlightened day cannot reconcile their own theories of education with the attitudes of the Amish toward modern learning for they still retain the district school whenever possible. They do not permit their children to attend institutions of higher learning. Yet we see some logic in this practice.

They are by choice an agricultural people. Their traditions, handed down from generation to generation, have proved to be sound and must be preserved. They can see no advantage in sending their little ones to a school in which the atmosphere is urban, where they are taught an urban culture by urban teachers and where they are influenced by urban playmates and surroundings. They prefer to have their children complete their education after the grades under the family roof and in paternal fields. There they receive instruction from their elders in the theory and practice of an excellent and traditional rural culture.

*National Catholic Rural Life Conference,
Des Moines, Iowa*

The Land Question in Hungary

TOWARD THE END of the first world war an effort was made in Hungary to solve the land problem on the basis of proportional land value taxation. The effort succeeded in 1917 in introducing in Budapest, capital of Hungary, an uncompromised site value tax at the rate of $\frac{1}{2}$ per cent per annum. However, the counter-revolution in 1919 suspended this law.

The second world war ended with the victory of the democratic forces but this time attempts to grapple with the problem of land monopoly took another direction.

How seriously land monopoly had developed in Hungary in the absence of means for socializing rent can be seen from the following statistical summary:

DISTRIBUTION OF LAND IN HUNGARY, 1938

| Size of Holdings (in acres) | Total Acreage of Class | Number of Proprietors |
|--------------------------------|---------------------------|--------------------------|
| 200— 300 | 1,244,000 | 4,040 |
| 500—1,000 | 1,028,000 | 1,480 |
| 1,000—3,000 | 1,435,000 | 879 |
| 3,000—5,000 | 562,000 | 146 |
| above 5,000 | 2,593,000 | 199 |
| Total | 6,862,000 | 6,744 |

The average estate was 1,025 acres. Of the 6,862,000 acres, 46.4 per cent, or 3,200,000 acres, was what is considered arable land. The remainder consisted of gardens, meadows, vineyards, pasture and forests.

This was the situation in 1945 when a revolutionary movement distributed the landed properties among the peasants. The distribution was afterwards legalized by the government. Under the law, all real estate (land, buildings and live stock) in estates above 1,000 acres was completely confiscated. In estates of less than 1,000 acres, 200 acres were exempt from confiscation when the proprietor was the actual farmer, and 100 acres were exempt in the cases of others. This rule, however, was not always carried out in accordance with the law.

The new proprietors were obliged to pay in ten yearly installments twenty times the net cadastral income into a fund. Out of this fund the old proprietors are to be recompensed if the economic situation of Hungary should allow compensation to be granted them. The price thus fixed represents only a quarter of the present market value of the confiscated estates; but the condition means that practically no payment will be made at all.

According to reports available up to February, 1947, 3,258,756 acres were distributed among 642,000 peasants. The average was 5.1 acres.

FERDINAND MERÖ

Budapest, Hungary

Co-operatives and the Survival of Small Communities

By JOSEPH V. URBAIN

A GENERATION AGO village life in the United States was rich and forceful. The Christian way of life was the only way of life. Men remembered that Jesus was a man of the villages. The interest of men in their fellowmen was responsible for their great strength. It was upon this kindly and constructive interest in human beings that their culture was built. Today, the impersonal character of urban life and mechanized activity tends to disregard the dignity of man. As Eric Gill so well puts it: "The ill from which we are suffering is the decay of personality. The remedy is the revival of personal property."

Perhaps it is not too late; perhaps the traditional form of village life can be revived. Without a doubt the devouring enemy of rural villages is the present economic set-up with its concentration of productivity and ownership in the hands of the few. It is necessary, therefore, to re-establish an economic system based on the community and its needs and culture. One does not have to look far to realize that there are many forms of local production that can be re-established on a community basis.

In seeking an economic revival the co-operative movement offers a ray of hope. The co-operatives have a social outlook that favors *all* the people of a community. Actually they are in the hands of the people. Co-operatives give the rank and file a measure of economic independence. They allow people to express their powers and ingenuity effectively in a democratic society. Above all, they stimulate man's intellectual activity and give him a new interest in human affairs.

Of infinitely greater worth is the moral aspect of co-operatives. This value must be stressed as it is something of far greater significance than the immediate material returns of co-operatives. A true social outlook obliges a co-operative to uphold the good of the community before the right to riches of the more fortunate or more acquisitive individual. Thus, by means of co-operative institutions the common people can achieve economic influence, and have a voice in the economic and social problems of the community. With the breakdown of community solidarity in the modern industrial revolution, and the consequent rise of individualism, the rank and file of the people have not been able to realize their power.

It is amazing how the industrial and capitalistic world has so effectively conspired against human activity. Home-use production on the land is obviously a realistic way out for many underprivileged and jobless people. Yet the press, the radio and big business do all they can to persuade people not to produce for themselves. On the contrary, people are constantly urged by a system of propaganda to buy all the well-advertised breakfast foods, frozen vegetables, and cellophane-wrapped products rather than produce them in the community.

All this is a challenge to the co-operatives to start a counter-propaganda of true popular economy by means of education, literature and honest discussions. It is especially to be hoped that rural life leaders everywhere will use every effort to put in motion an effective agrarian program based on true co-operation. Co-operatives can serve a tremendous function when they become centers of agrarian and decentralist activity.

*National Catholic Rural Life Conference,
Des Moines, Iowa*

The Need for Acreage Limitation

A STATEMENT ON ACREAGE LIMITATION was adopted by the executive committee of the National Catholic Rural Life Conference at a meeting in Des Moines, Ia., on April 16, 1947. The statement, signed by the Most Rev. W. T. Mulloy, president, and the Rt. Rev. L. G. Ligutti, executive secretary, follows:

Land-tenuer policy and trends in land-ownership are closely connected with the welfare of the family and the distribution of private property. Even when brought about under the guise of economic efficiency, the concentration of land in the hands of a few is a practice destructive at once of wholesome family living and of widespread private ownership. The National Catholic Rural Life Conference stands unalterably opposed to such concentration of land ownership, even in cases in which charitable or religious enterprises, or both, are made partial beneficiaries of the profits from such holdings.

The Conference strongly advocates the framing of public land policy in such a way as to protect family-type farmers and to safeguard them from the inroads of land monopolists, whether the monopolists be individuals or corporations. One of the objectives of the Conference is to encourage residence upon the land by families who operate their own productive and efficiently-managed agricultural holdings. In accordance with sound American principles and established Christian teaching, the Conference wishes to see as many families as possible enjoy the light, the space, the air, and experience the wholesome and encouraging sense of enterprise and ownership fostered by productive rural living.

The National Catholic Rural Life Conference intends to resist to the extent of its powers the dangerous collectivistic tendency of the large landholders who would repeal the acreage limitations wisely attached for over forty years to federally-sponsored reclamation and irrigation projects. It recalls that outstanding men of both major political parties have favored the inclusion of such restrictions in the bills authorizing appropriations for reclamation projects. The Conference does not wish to see this tradition departed from in the case of the Central Valley Project of California or in any other projects which have been or will be authorized. If, at times, minor modifications are necessary in certain areas in order to rectify errors in judgment as to what constitutes an efficient unit, these modifications should always be made in the interest of the family-type farmer and not for the benefit of a privileged few who own many hundreds or even thousands of acres of land.

The efforts of large landholders to fasten the term "socialistic" or "communist" upon the restrictive provisions adopted by our Congress for the purpose of widely distributing private property are repudiated by the National Catholic Rural Life Conference. The Conference, in fact, is

convinced that no more dangerous collectivistic tendency exists short of communism than the present concentration of productive property. The practices of land monopolists destroy the spirit of private enterprise and reduce our rural population to the status of proletarian agricultural workers. No surer preparation for state capitalism was ever devised than this progressive concentration of wealth in the hands of a few.

In reiterating the genuine Catholic viewpoint on this grave social question, the Conference draws attention to the statement of Pope Pius XII, September, 1944, on the subject of widespread ownership:

"When the distribution of property is an obstacle to this end (the genuine productivity of social life and the normal returns of national economy) . . . the State may, in the public interest, intervene by regulating its use or even, if it cannot equitably meet the situation in any other way, by decreeing the expropriation of property, giving a suitable indemnity. For the same purpose, small and medium holdings in agriculture . . . should be guaranteed and promoted."

The Conference considers the acreage restrictions of the reclamation acts to be in full accord with this teaching.

It is noteworthy that the repeal of acreage limitation in the Central Valley and in other projects would benefit special-interest groups and damage family-type farmers; that it would mean diversion of federally-appropriated funds to speculative commercial enterprises and corporation farms; that it would appreciably increase the number of migrant agricultural workers, who with their families are required for large-scale farm operations; that it would encourage the exploitation of these workers; that it would exclude from land ownership veterans wishing to set up moderately-sized farms of their own on acres made productive through public irrigation; that by aggravating the trend to large-scale land holdings and attaching speculative values to land which individuals or families wish to purchase, it would militate against the best interest of the people in other parts of the country. The National Catholic Rural Life Conference, accordingly, asks that our national legislature take into consideration these facts as well as the pleas of the special-interest groups who stand to benefit by repeal.¹

¹ Copies of this statement are available from the administrative headquarters of the N.C.R.L.C., 3801 Grand Ave., Des Moines 12, Iowa.

• R E V I E W S •

Socialist Thought, Ancient and Modern

By CARL MCGUIRE

THIS WORK¹ is a history of unorthodox economic ideas, a companion volume to the author's well-received and authoritative "Development of Economic Doctrine" which covers the thought of the "orthodox and respectable" professional "economists."

At the outset Gray raises this question: What writers are properly included in a survey of socialist thinkers? Because "there is . . . no agreement among the experts as to what socialism is supposed to mean . . . we shall guide ourselves . . . by accepting somewhat unquestioningly those whom the general consensus . . . has agreed to designate as 'the great socialist.'" Gray therefore postpones to the final chapter his distillation of the "essence of socialism."

The first two chapters consider the contributions to socialist thought of those dual influences from the ancient and medieval world which have been the principals in shaping modern thinking, the Jewish tradition, modified and supplemented by Christianity, and the Greek tradition. Gray concludes that Spartan communism is not the romantic historical remnant of primitive agricultural communism but the inevitable result of a State perpetually organized for war. The communist views of Plato are presented together with a "cold douche of individualist criticism" from Aristotle. Study of the main body of Christian doctrine shows that Christianity assumes or defends the correctness of private property, although "wealth is a trust held for the public good." The minor line of Christian thought which tends toward communism, owes its inspiration to the ancient woman-less Jewish sect, the Essenes.

The transition from the medieval to the modern periods is accomplished by treatment of that "curious and fascinating . . . sideline in the literature of socialism," the Utopias. Gray emphasizes the Utopian doctrine of the perfectibility of man and the incorporation in the Utopias of an astonishing number of modern totalitarian devices.

Modern socialism finds its immediate forerunners in the French egalitarians and in the remarkable, though neglected, English pre-Marxian

¹ *The Socialist Tradition, Moses to Lenin*. By Alexander Gray. New York: Longmans, Green & Co., Inc., 1946, x + 523 pp., \$7.50.

group, as well as in the so-called "fathers" of socialism, those interesting eccentrics, Saint-Simon, Fourier, Owen and Blanc. The "fathers" are described as associationists, only Blanc foreseeing the importance of the rôle of the State.

Modern or "scientific," socialism means Marx and Engels primarily, but Rodbertus and Lassalle are also so classified. Gray need not have included his apologetic explanation that "much as a sensitive typewriter may rebel against being called upon to perform so hackneyed a task," it is necessary to understand the place of Marx among the great socialists, for he presents an excellent essay on Marxian fundamentals. Gray observes that the labor theory of value, the core of the Marxian system, has "frayed . . . irretrievably"; that common terms such as "value" and "capital" are employed by Marx without specific definition, consequently making possible the horde of confused interpretations of "What Marx Really Meant." "Yet despite his prosy and interminable dullness, despite the confusions and inherent contradictions of his theories, despite his manifold defects in temperament and disposition . . . the indubitable fact remains that Marx has proved the most influential figure of the nineteenth century." Why? Because Marx became the cult of an anemic intelligentsia unable to face reality and because he supplied a body of myths, a social religion, by which men could explain away their unhappiness. (Lenin is described in a later chapter as the one-sided restater of Marx, extending with "damnable emphasis" the theory of the strategy and tactics of the proletarian revolution and dictatorship.)

The failure of the world to fulfill the Marxian prophecies led to the development of Revisionism. Bernstein, the prime begetter of Revisionism, finally came round in substance to "old-fashioned, mid-Victorian liberalism," even declaring that "one need be no anarchist in order to find the eternal heaping of duties on the State too much of a good thing."

Fabianism, the other major development in Evolutionary Socialism, unlike Revisionism, was not a reaction to Marx. Fabian Socialism found its original inspiration in Henry George's principle of the unearned increment. But Gray quite properly sets George apart from the ranks of the socialists. George's doctrines, such as his principles of distribution, his clean-cut distinction between land and capital, his statement of the advantages of free trade, are incompatible with the socialist position. The Fabian Socialists improperly extended the principle of rent on land as an unearned increment to capital and labor. Thus Fabian theorists have gone so far as to describe wage differentials as the "rent of ability," individually unearned, and therefore to advocate wage equalization!

The anarchists are represented by Godwin, Proudhon, Bakunin, Kropotkin and Bertrand Russell. Gray admits that although anarchism theoretically "is the complete antithesis of most forms of socialism," its inclusion is justified because "in practice anarchism works out as an extreme form of socialism." The trade-union relatives of the anarchists are considered in chapters on continental syndicalism and English guild socialism.

In his final chapter, Gray concludes that socialism and individualism are complementary, involving varying proportions of the social and the individual. After considering the proportions in which present-day society should be mixed, Gray decides that "the great need of the day is for a prophet of liberalism" standing for the "pre-eminent worth of the individual." "The danger involved in the drift or urge in the direction of an ever more actively controlling and intervening State, is that at the end of that path—however it may be disguised—lies totalitarianism, with the individual even less than the Guild Socialist's manure, even less than a thing of naught. The very great and deserved welcome accorded to Mr. Hayek's warnings regarding 'The Road to Serfdom' may perhaps be interpreted as an indication that the public mind and conscience are not wholly at ease on the question."

Few books in economics are a comparably sound combination of the sprightly and the scholarly. Particularly rare is a history of economic doctrine which can be said to be exciting. But competence of treatment has in no way yielded to entertainment. Richness of reference, evidence of familiarity with the complete works (and biographies) of the great socialists and their critics, meaty, brevity, good-natured humor commend "The Socialist Tradition." The reviewer concludes that more authors might well spend twenty-two years in preparing their works.

University of Colorado

Co-operation in Palestine

Co-operative Living in Palestine. By Henrik F. Infield. New York: The Dryden Press, Inc., 1944, XII + 192 pp., \$3.

This is a small, but most instructive book on the most exciting Jewish experiment in a pioneer world. In view of the present political tension in Palestine, this intimate observation and description of the successful functioning of the significant communal undertaking by Jews has gained interest for the general reader.

Quite aside from the practical implication of the Palestinian demonstration—"the Jews are a people, not a race, with political and religious factions

of the most widely contrasting character" (as Howard Becker writes in the foreword). Dr. Infield, a former Viennese socialist, gives us an eye-witness account of "a new way of co-operative living, abandoning individual ambitions."

The work is one of the Research Series on Co-operation, sponsored by the Rural Settlement Institute, a research organization to study co-operative communities.

PAUL UCKER

Nuernberg, Germany

'Rerum Novarum' and Henry George

By LOUIS FILLER

POPE LEO XIII's labor encyclical is one which has peculiar importance to students of Henry George; and the treatment which it is accorded by Professor Abell¹ demands notice on several other counts as well. It should be remarked, first, that "reception . . . in America," to the author, apparently means *Catholic* reception primarily, even though he devotes a little more than a paragraph to Protestant approval of the Pope's message. There is, then, no need here for taking cognizance of the dissenting opinions of non-believers during the time-span treated.

Professor Abell develops his theme judiciously and with a detail not to be found elsewhere. Unlike a number of Leo XIII's biographers and other Catholic commentators, he discusses the famous encyclical, "Rerum Novarum," in context, recognizing that it did not spring full-grown from the Pope's solitary thoughts, but came into existence in response to strong economic and social tendencies, in particular those of Europe and America. Professor Abell, in describing the reception accorded the pastoral letter in the United States, shows that prior to its issuance there had been little official Catholic sanction of positive social action, especially on the score of labor unions. Cardinal Gibbons' defense of the Knights of Labor was a bright exception. This would tend to give "Rerum Novarum" a pioneer significance which, indeed, it had among papal letters. However, it should be noted that the very absence of official thought on the "social question" resulted in the appearance among Catholics of freely celebrated opinions which, in the important instance of Father Edward McGlynn, culminated distressingly in excommunication. It is evident that the Church felt a need for strengthening its control over the faithful who were being organ-

¹ *The Reception of Leo XIII's Labor Encyclical in America, 1891-1919.* By Aaron I. Abell. *The Review of Politics*, Vol. VII, pp. 464-95.

ized in labor unions (which the encyclical accepted on moderate terms) and who were being affected by socialist attitudes and agitation (which "Rerum Novarum" categorically opposed).

Professor Abell's views on Henry George as an influence in determining the formulation of significant passages of Leo XIII's message and as a factor in its reception could have profited from amplification. There is good reason to believe that "Rerum Novarum" was in part at least inspired by disturbances in official church circles caused by differences on the single tax issue. Thus, Msgr. John A. Ryan, in the course of his notable debate with Morris Hillquit,² observed that the encyclical was above all aimed at socialist proposals for solving the *land* question; and though George's system differed from that of the socialists proper, this fact did not make him more acceptable to the hierarchy, and there can be no doubt that his campaign for land reform was inspiring signal controversy during Leo XIII's time.

This is not to suggest that the encyclical was a studied essay in conservatism, though some sympathetic analysts seemed to think so. Professor Abell quotes aptly from the *Andover Review* as follows: "The authority of the encyclical lies in its unqualified assertion of the doctrine of private property; its wisdom lies in its concessions respecting the present economic and social functions of the state." Outstanding Catholic liberals found inspiration in its pages. Even Father Thomas McGrady, an advocate of socialism, found support in its pages, as in his "Socialism and the Labor Problem" (1900). The truth is that most liberal Catholics were never quite so "liberal"—that is, in the *laissez-faire* or socialist senses—as their admirers who were not in the faith were likely to imagine them as being. Msgr. Ryan again furnishes a case in point; see, for example, his "Francisco Ferrer, Criminal Conspirator" (1910). And yet there can be no doubt that he was at one on many points with the most serious and socially effective men, and also that "Rerum Novarum" provided him with the major premises for his lifework.

Antioch College

Labor Courts in Germany

German Labor Courts. By Frieda Wunderlich. Chapel Hill, N. C.: University of North Carolina Press, 1947.

This study, part of a research project of the Graduate Faculty of the New School for Social Research, "Social and Economic Controls in Ger-

² "Socialism: Promise or Menace?" New York, 1914, pp. 55-6.

many and Russia," reviews and appraises the system of labor courts as it had existed in Germany since the 1890's. The courts, like the French court system, were restricted in their jurisdiction to cases of interpretation of laws and collective agreements while cases of conciliation and arbitration were dealt with by special authorities. Under the Weimar Republic the courts were greatly enlarged, the Supreme Federal Court deciding all cases in which principles or large sums were involved.

The institution of labor courts was a definite success, Dr. Wunderlich reports. Since representatives of trade unions and employers associations were active as lay judges in the courts of all three stages, the worker felt at ease and knew that he would find justice. Litigation was speedy, inexpensive and informal; and conciliatory efforts were made before the court started a formal procedure. In fact, most cases were settled by the chairman alone. Decisions about grievances were appealed only in exceptional cases, *i.e.*, in those which required interpretation of the new collective labor law. Both employers and workers considered the courts an ideal institution for the settlement of individual labor conflicts. Criticism was directed merely against decisions of the Supreme Labor Court where fundamental conflicts of interest came up.

"The German people in general had confidence in labor jurisdiction," Dr. Wunderlich writes, "and considered it an essential part of German democracy."

With the advent of the Nazis, however, the picture was radically changed. Dr. Wunderlich's description of the deterioration of the courts gives a vivid picture of how "justice" may be exercised in a dictatorship. There are many problems discussed in the book of special interest to the American reader: the rôle of the trade unions and employer organizations as counsel of labor during the democratic period; the protection against discriminatory dismissal and the protection of minorities.

Dr. Wunderlich, who has been a member of the Graduate Faculty of the New School since 1933, was closely connected with labor courts and labor organizations under the Weimar Republic. A member of the Council of Berlin and of the Landtag (Parliament) of Prussia, Dr. Wunderlich was one of twenty women who took part in governing the German Capital and the Prussian state. She was the first woman judge in the Reich Supreme Court for Social Welfare and served as director of the Bureau for Social Policy, as professor of economics in the Vocational Pedagogic Institute in Berlin and as General Secretary of the German Branch of the International Association for Social Progress. She was also active in organizing the

employment service for the provinces of Berlin and Brandenburg and edited the Social Political weekly, *Soziale Praxis*. She is the author in this country of "Labor Under German Democracy," "British Labor and the War," and of many articles and reviews.

AGNES DE LIMA

New York

The Story of Man's Struggle

The Roots of Our Learning. By Francis Neilson. New York: Robert Schalkenbach Foundation, 1946, 297 pp., index, \$3.

This book, which consists largely of essays originally contributed to THE AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY, is the story of man. It is a history of struggle and achievement; of success and failure, in art, literature, philosophy and education. Miracles of skill and imagination were wrought in periods when the human spirit was liberated, when economic conditions were not restrictive. As Dr. Neilson shows, man produces best things of utility and things of beauty in an atmosphere of justice and freedom. His work discusses the men and the events of our most illustrious periods of development in the past.

The Role of Labor in France

French Labor from Popular Front to Liberation. By Henry W. Ehrman. New York: Oxford University Press, 329 pp., \$4.

In this book, the sixth in the series of "Studies of the Institute of World Affairs," Dr. Ehrman reviews the development of the French trade union movement from the crisis of the French republican institutions in 1934 to the liberation of France from the German occupation ten years later.

While dealing comprehensively with the political aspects of the period, the book is also an essay in social history. By reviewing critically the social and economic legislation of the French "New Deal," the author is able to determine the extent to which the unsettled state of industrial relations contributed to the downfall of the Third Republic and by implication the predominant forces and major problems facing solution in France today. As Dr. Ehrman writes, "Never before has the fate of democratic institutions in France been so closely dependent on the influence of a strong labor movement, bold in its aspirations and realistic in its procedures."

Previous publications of the Institute of World Affairs, particularly Arnold Brecht's "Federalism and Regionalism in Germany," and Joseph B.

Schechtman's "European Population Transfers, 1939-1945," deal with aspects of the political and social transformations that the last decade brought about in the countries of central and eastern Europe. In this region and above within France, it is organized labor and the intelligentsia allied with it, that hold a key position. It is to them that the fateful rôle of intermediary between East and West, once held by the progressive groups in Germany, seems to have fallen. Thus the part played by labor in the recent history of France commands attention that goes far beyond the interest customarily attaching to studies of particular social groups in a particular nation.

Contributors

FRANCIS NEILSON, LITT.D. (Ripon Coll.); last of the English Constitutional Radicals; former member, the British Parliament; author, "The Old Freedom," "The Eleventh Commandment," "Control from the Top," "Man at the Crossroads," "Sociocratic Escapades," "How Diplomats Make War," "The Tragedy of Europe," "In Quest of Justice," "The Roots of Our Learning," etc. Founder and editor of the old *Freeman*, etc.

HANS NEISSER, PH.D., is a member of the staff of the Institute of World Affairs of the New School for Social Research, New York.

ELGIN WILLIAMS is instructor in economics at New York University, and a graduate student in economics at Columbia University. Formerly, fellow in economics, Columbia; staff, Inter-departmental Committee on Relief and Reconstruction (later, the United Nations Relief and Rehabilitation Administration). Contributor, *The Southern Economic Journal*, etc.

GEORGE A. BRIGGS, member, California State Board of Prison Directors, 1940-46, is a retired business executive. Member, Joseph Fels Fund Commission, 1909-15.

L. ALBERT HAHN is a New York financial economist.

FRANCIS CAMPBELL ROSS DOUGLAS, M.A. (Glasgow), F.R.A.S., Governor of Malta. Formerly: member of the British Parliament (Lab.) for North Battersea; parliamentary private secretary to Parliamentary Secretary of Board of Education; member, Railway Assessment Authority, Anglo-Scottish Railway Assessment Authority, Public Works Loan Board, Finance Committee of London County Council. Author: "Land Value Rating," etc.

FERDINAND MERÖ, an accountant, is a leader in the land reform movement of Hungary.

OSCAR SHERWIN, PH.D., is a member of the English department of the College of the City of New York and contributor to *The Journal of the History of Ideas* and other professional journals.

PATRICK T. QUINLAN, priest of the Roman Catholic missionary society, the Glenmary Fathers, and regional director of the National Catholic Rural Life Conference, has been for years a leader in the rural life movement.

JOSEPH V. URBAIN, a priest of the Archdiocese of Cincinnati of the Roman Catholic Church, is a frequent contributor to the *Rural Life Letter* of the National Catholic Rural Life Conference.

WILL LISSNER, member of the news staff of a New York newspaper, writer and editor, is executive editor of *THE JOURNAL*.

CARL MCGUIRE, M.A., is assistant professor of economics at the University of Colorado.

PAUL UCKER, DR. ECON. (Zürich 1935); staff, Office of Chief Counsel, U. S. Army, Germany; formerly editor, *The Swiss Journal*, San Francisco, and formerly bank economist, San Francisco; correspondent in the United States of Swiss newspapers; contributor American economic periodicals.

LOUIS FILLER, PH.D., historian and member of the faculty, Antioch College. Author, "Crusaders for American Liberalism," "Randolph Bourne," etc.

AGNES DELIMA is a member of the staff of the New School for Social Research, New York.

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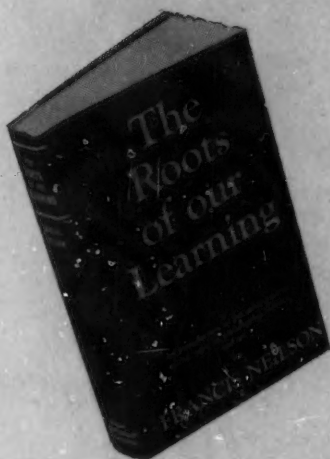
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